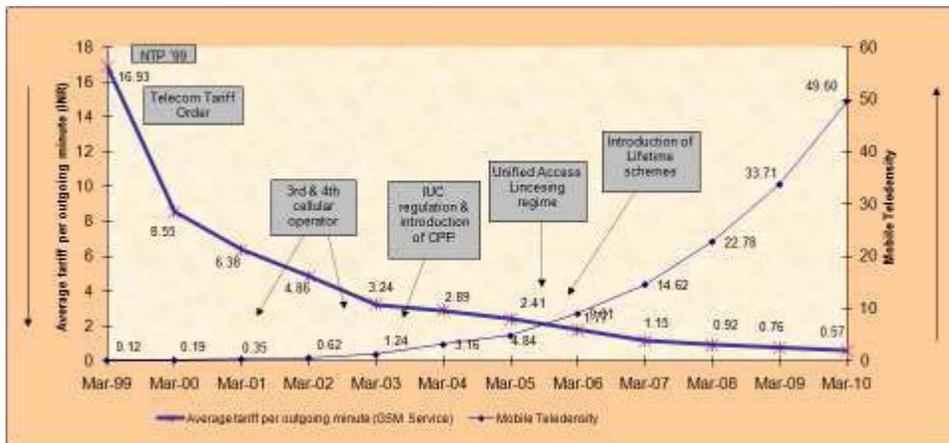


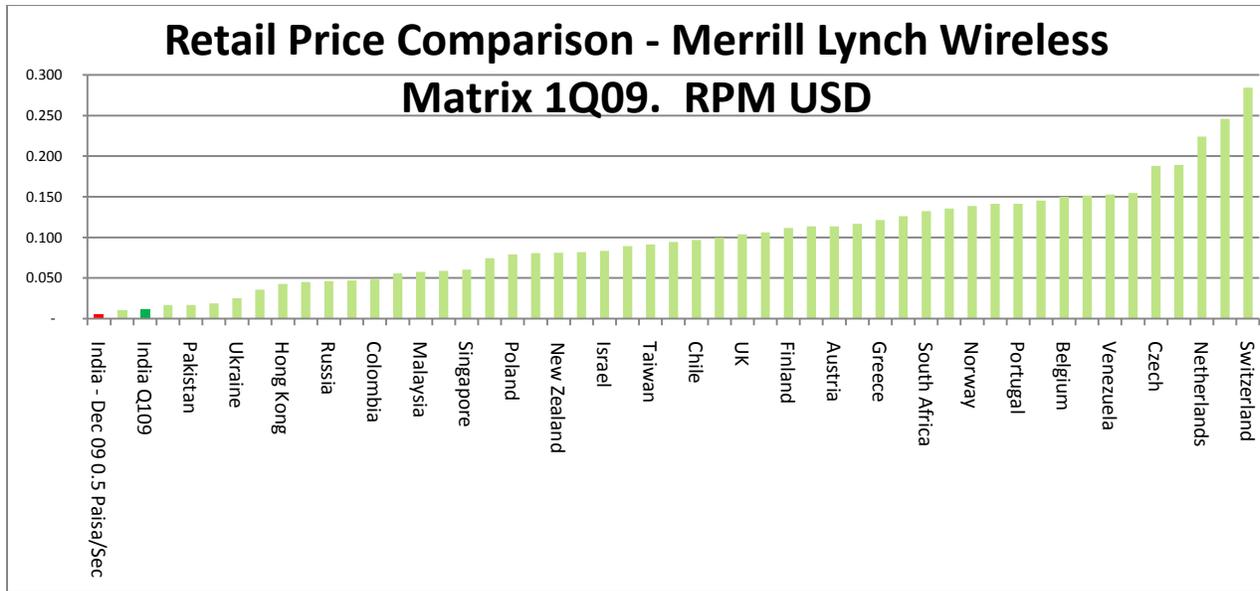
# VODAFONE RESPONSE TO TRAI CONSULTATION ON Certain Issues relating to Telecom Tariffs

## INTRODUCTION

It is a widely acknowledged fact that tariffs in the Indian telecom sector are probably the lowest in the world, and that the Indian mobile market (with up to 14 players in many circles) is probably the most competitive mobile market in the world. Mobile Number Portability (MNP) is also yet to be introduced, which is likely to bring an additional significant increase in competition in the mobile market, the lowest in the world. As the graph in the TRAI consultation paper clearly highlights India is a showcase for declining trends in tariffs and increasing subscriber growth.



Another survey by Merrill Lynch clearly highlights the fact that prices in India are amongst the lowest in the telecom markets across the world (as shown in the graph below).

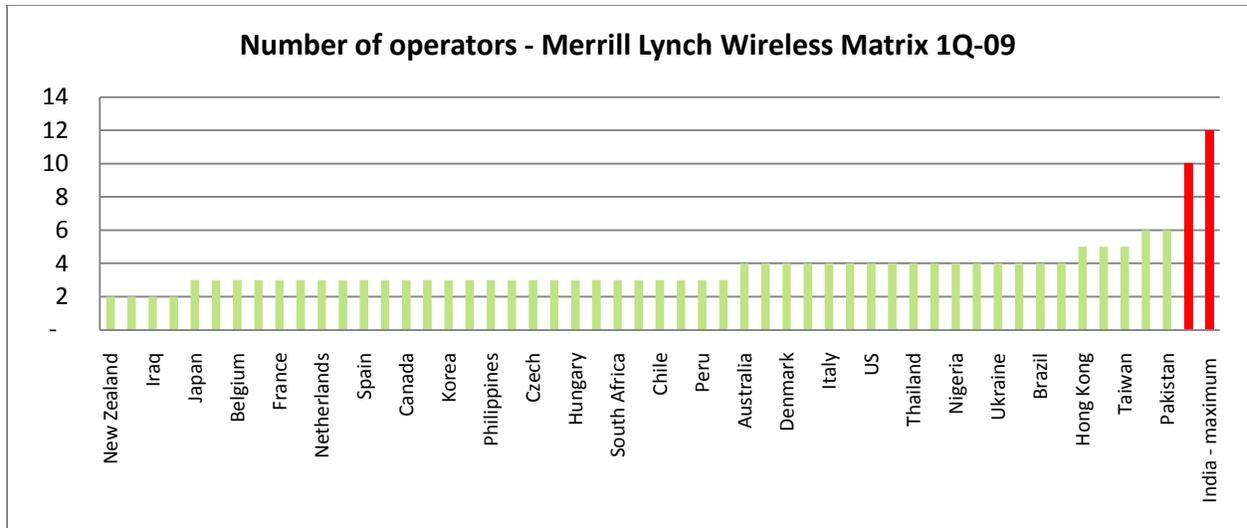


The impact of such huge price declines has brought retail prices in the mobile sector to unprecedented low levels. Since regulation is usually only applied to markets in which there is a lack of competition, the highly competitive state of the Indian mobile market raises a question as to whether additional regulation is needed.

### ECONOMIC / MARKET PRINCIPLES FOR PRICE REGULATION

Effective competition in a market should be the measure for deciding whether regulatory intervention in retail tariffs is necessary. The most widely accepted economic yardsticks for measuring the extent of competition globally are to look at 1) the number of operators in a market; 2) the level of competition using the HHI index which indicates the intensity of competition, 3) market shares – to see whether any firms’ market shares are so large as to indicate market power, or whether market shares are not changing over time; and 4) to examine retail prices – both the level of prices, and the extent to which prices change dynamically according to the forces of competition. On all these counts, regulatory intervention in the Indian retail market does not seem justified as of now.

The following table illustrates this amply:



The market shares of these operators are also fairly evenly distributed which suggest that no one operator wields any significant power or displays the ability to exert any kind of unusual influence on prices in the market:

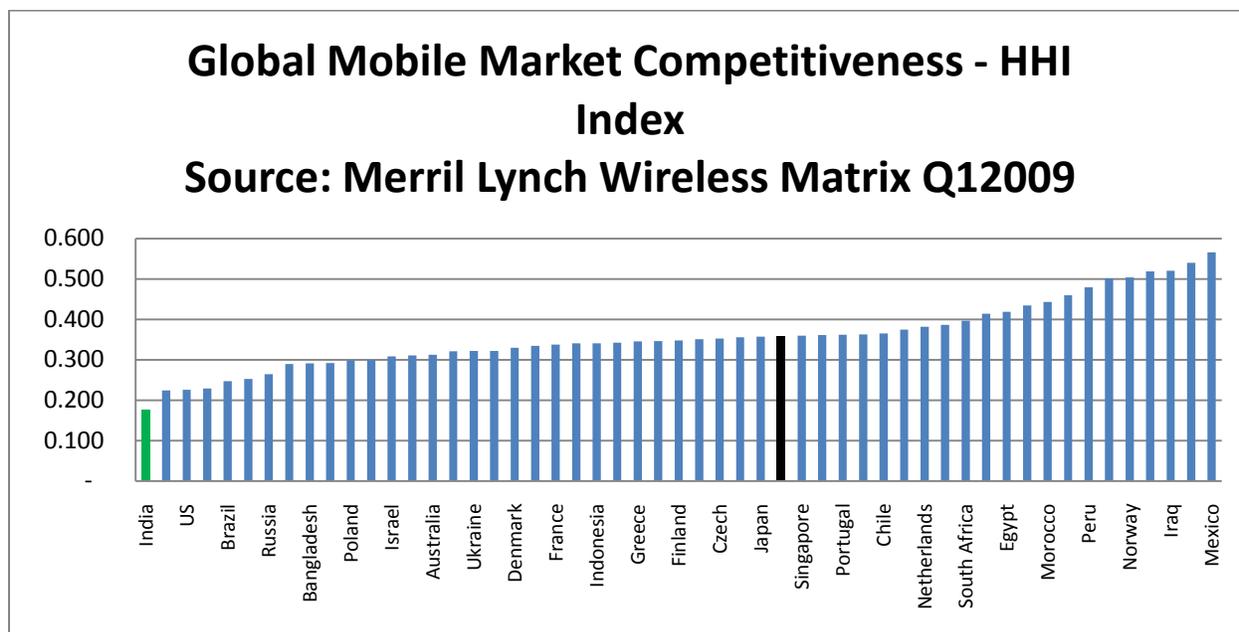
## Operator Wise Subscribers & Market Share

**August 2010**

Service Providers	Subscriber Base	Market share
<b>Airtel</b>	141,251,288	21.06%
<b>Reliance</b>	115,325,053	17.20%
<b>Vodafone</b>	113,774,409	16.97%
<b>Tata</b>	76,943,342	11.47%
<b>Idea</b>	72,735,921	10.85%
<b>Aircel / Dishnet</b>	44,906,679	6.70%
<b>BSNL</b>	76,037,098	11.34%
<b>MTNL</b>	5,283,038	0.79%
<b>Unitech</b>	9,093,962	1.36%
<b>Sistema</b>	6,110,669	0.91%
<b>Loop</b>	2,968,111	0.44%
<b>Videocon</b>	3,664,899	0.55%
<b>Stel</b>	1,519,498	0.23%
<b>HFCL</b>	947,815	0.14%
<b>Etisalat/Allianz</b>	43,709	0.01%
<b>Total</b>	<b>670,605,491</b>	<b>100.00%</b>

## HHI INDEX

Finally, as the table below shows the HHI Index in India is amongst the lowest in the world which clearly reflects on a very healthy and strong competitive environment in the sector. Any further interference could be detrimental to the sector.



Considering all of the above, our respectful submission to TRAI would be to consider adopting a regulatory approach that aims at:

- 1) promoting open and competitive markets
- 2) fostering an environment for developing the internal market (healthy competitors make for a healthy market)
- 3) promoting the interests of subscribers by ensuring a healthy state of competition (less operators or weak operators would not be good for consumers)

We would thus request that TRAI should not intervene in this robustly competitive market at the retail price level at this juncture.

## REGULATORY INTERVENTION AT THE RETAIL LEVEL

The InfoDev/ITU's authoritative publication on global regulation, the ICT Regulation Toolkit, clearly lays out the reasons for which regulators should be cautious in making regulatory interventions, especially in retail markets:

*"Regulation has potentially high costs. Among other things, it substitutes the regulator's judgment for market interactions. No matter how capable and well intentioned regulators are, they will never be able to produce outcomes as efficient as a well-functioning market. Regulators should therefore forebear from interfering in pricing decisions unless regulation is justified. That is, unless the expected benefits from regulating prices outweigh the expected costs from doing so. This requires that, without regulation, prices will either be:*

- *Too high overall — if an operator or service provider has market power they may increase prices above competitive levels. This will suppress demand for the service, leading to a loss of social welfare, or*
- *Anti-competitive — an operator or service provider with market power may engage in pricing practices that hinder competition in a market."*
  - ITU InfoDev ICT Regulation Toolkit, [www.ictregulationtoolkit.org](http://www.ictregulationtoolkit.org)

While the Indian market is clearly, highly competitive by any measure, the existing tariff regulations of TRAI provide a fairly strong check on the market in any case. There are nearly 49 amendments to the TTO '99 regulating the sector.

Further, retail prices of telecom services should be seen as a total basket of services rather than as individual elements. Regulating on the basis of individual tariffs and elements would serve to defeat the purpose of introducing competition and encouraging innovation. This is not a regulatory imperative.

It is also worth considering the level of the industry at which regulation is to be applied. The basic philosophy which has emerged in OECD nations is that applying regulation in the retail market has high risks since it directly impacts consumers, if regulators encounter any demonstrated competition problems which result from a lack of competition, regulators should first ask whether there is a need for intervention at the wholesale/market structure level which can create the conditions for competition at the retail level. This is the approach that Ofcom took in its Strategic Review of Communications, concluding that (in a market with only 5 mobile operators – roughly 1/3 of the number in India):

*"Mobile telecoms networks lack the enduring economic bottlenecks that we found to exist in fixed networks. Competition has been sustainable between a sufficient number of networks, each providing end-to-end services to customers, to constitute effective competition..."*

*It is an established principle... that downstream markets should not be subject to ex ante regulation where remedies imposed in upstream wholesale markets are sufficient to ensure effective downstream competition."* - Ofcom Strategic Review, [http://www.ofcom.org.uk/static/telecoms\\_review/final\\_statement.htm](http://www.ofcom.org.uk/static/telecoms_review/final_statement.htm)

## **DIFFERENTIATED PRICES**

The Authority has itself noted in previous consultations that forbearance from regulating retail tariffs has provided operators with flexibility which has allowed them to deliver innovation:

*“The Authority has also noted that leaving origination charge under forbearance allows the service providers flexibility to offer innovative tariff plans. This constitutes an important tool for generating competition in the market and works in favour of the customer in a competitive scenario. Therefore, keeping in view the policy of tariff forbearance, the Authority decided to continue with forbearance in origination charge for normal voice calls.”*

- IUC Review 2009 Explanatory Memorandum

We agree with this view and are concerned that further regulation of retail tariffs would undermine that flexibility, innovation and consumer benefit.

In a market of nearly 700 million customers the needs, requirements and calling patterns would be immensely different across customer segments – and this need is being fulfilled by a variety of tariff plans, special prices and promotional offers in the market. It is relevant to mention here that such differentiated tariffs, customized plans and customer focused service delivery has evolved over the last eight years when subscriber growth year on year has been phenomenal.

We would like to acknowledge here that the biggest trigger for the amazing price decline and the consequent benefits that have flowed to consumers has been on account of TRAI’s decision – in 2002 – to withdraw from regulating/specifying tariffs and adopt instead a more hands off approach – leaving retail tariffs to market forces. There were just four or five operators in the market then. Today there between ten and fourteen in every service area.

The overwhelming logic of a retail price intervention at this juncture therefore is not obvious nor is it necessitated in the market today.

Our market is vibrant, competitive and delivering value to customers and untimely interventions or sudden changes in regulations can unduly serve to distort the competitive landscape – rather than be beneficial to customers.

## **FORBEARANCE WITH STRICT OVERSIGHT**

Though TRAI has forborne from setting and defining actual tariffs, it has nevertheless maintained a strict vigil on the prices being offered through the various tariff orders and amendments. We strongly believe that TRAI should phase out many of these regulations as they actually serve to restrict rather than encourage.

Further, it is mandatory for operators to report all tariffs launched in the market – be it core tariffs or bonus cards or special offers etc. This allows the TRAI to monitor and moderate each of the tariffs on offer.

The 31<sup>st</sup> and 43<sup>rd</sup> amendments clearly protect subscribers against arbitrary hike in tariffs; price of national roaming services are clearly determined by the 44<sup>th</sup> Amendment; transparency has been clearly mandated in the directions of 2<sup>nd</sup> May 2005 and 16<sup>th</sup> September 2005 where disclosure of full details of tariffs has been mandated

Further there are a host of other orders, directives and regulations on issues ranging from tariff changes, fixed monthly charges, promotional offers, validity of tariffs etc that continue to define the manner and method in which tariff offers are made in the market.

It is thus submitted that the current market is not entirely free from regulatory oversight and the sector is guided by existing rules and regulations set by TRAI.

It is our submission that any further prescriptions would only serve to stifle innovation and choice to customers – as the competitive forces would then remain out of play – or be severely restricted. Everything would be defined and there would be no incentives or flexibility for operators to devise offerings that cater to the diverse needs of millions of customers.

## **INFORMATION ON PRICING**

In the consultation paper, the Authority has referred to a *“feeling among some of the consumer groups that in provision of telecom services, consumers are provided with very limited pricing information”*. It has been pointed out that the situation is exacerbated by the complex and varied bundled tariffs, thereby making it difficult to compare the tariffs on offer.

However this is not entirely accurate since customers are fully aware of the various tariffs on offer that suit their requirements. The various tariffs on offer (which are also filed with TRAI) are clearly aimed at providing consumers greater choice and targeted at addressing their communications needs.

In our experience most consumers are very easily able to find the right mix of tariffs for their needs. It would probably not be an easy comparison if tariffs for frequent travelers are compared to tariffs of primarily data users. The applicable rates would not be uniform across all categories of subscribers or types of users – and each can chose the plan best suited to them.

## **CUSTOMISED TARIFFS**

In fact the industry has slowly but surely moved to an era of customized tariffs that are tailored to the needs of their customers. For example:

- Different tariffs address different calling needs of different groups of consumers and it would not entirely be possible to have like to like comparisons of these tariffs.

- It would depend on the communication need of the customer as much as the ability and interest to avail of other features – like data or value added services etc
- It is relevant that very often customers tend to pick and chose specific elements within a tariff plan and demand the lowest rates from each pack to be applied to them
- This, as the Authority would appreciate, is not possible since sometimes a package designed to address the usage needs of a customer who is a heavy data user would probably give lower rates for data but maybe higher rates for voice or SMS
- But then there are packages that cater to the voice or SMS usage needs of customers too.
- Similarly tariff packages aimed at the long distance user need not necessarily give a lower rate for local calls – since that is available in other packages.
- Thus, customers who feel the need to compare tariffs are often those who mix and match the benefits of different offers

However, we would not be misplaced in submitting that in today’s highly competitive market, there are tariffs on offer that cater to the needs of almost every single customer and this is only becoming more effective with targeted services, differentiated products and niche segmentation.

## **CONSIDERATION OF WITHDRAWAL OF SOME FORMS OF EXISTING REGULATION**

As noted above, the Indian mobile market is probably the most competitive mobile market in the world where there is the least need of retail regulation. Competition is providing consumers with incredible value, and consumers will naturally reward those operators who provide the optimal mix of value and simplicity, and punish those who provide tariffs which are not competitive or are too complex. The introduction of a number of competitors which is 2-3 times the number of competitors which has proved sustainable in any other mobile market in the world has meant that there is no question of the degree of effective competition. To the extent that it is possible to increase the level of competition from such a level, the introduction of MNP will introduce a further degree of competition in the market.

In view of this, we would request the TRAI to re-examine whether some forms of existing tariff regulation are still required. We would propose in this regard that the Authority re-examine whether it is necessary to:

- Specifically prohibit monthly rentals for inter-circle/national roaming packs (44<sup>th</sup> Amendment). Operators are prepared to offer consumers what may well be a more competitive and suitable offering in which customer receive better value by purchasing monthly packs in return for more competitive tariffs. It is not clear why it is in consumers’ interests to be prevented from availing of such offers.
- Impose a strict interpretation of non-discrimination which prevents operators from offering differentiated, segmented tariffs to particular groups of customers. Price discrimination is a healthy indication of effective competition and is to be found in all markets for products and services and is a mechanism by which firms offer prices which are better suited to particular

customer groups. It is worth re-considering therefore, especially in light of the high level of competition in the market, whether such regulatory intervention is required.

- Define a promotional plan in this highly competitive market.

We would be pleased to offer more specific data and information on these issues if this would be useful to the Authority.

We would like to specifically address some of the issues and views expressed in each of the chapters before specifically responding to the questions raised by the Authority.

## CHAPTER – 1

### Multiplicity of Tariff Plans:

1. The TRAI in its Consultation Paper says: *It is observed that a large proportion of subscribers are being acquired in a few plans only.*

- It is necessary here to segregate “plans” which are the base tariffs on offer to customers from the multiple packs or special tariff vouchers which are add-ons on offer to the customer – and which ride on the base tariff to offer benefits on only specific elements of the plan
- Bonus cards/packs, special tariff vouchers are actually the driving forces behind customer choice in the market
- All elements of the base tariff plan, may not be suited to all subscribers on account the large number requirements and specific calling requirements of customers
- These customers can avail of any of the many bonus cards which are nothing but tailored tariff packages offering a simpler, cheaper or modified set of tariffs to the customer
- Thus even if a large number of customers enroll on just one or two base tariff plans, their calling needs are taken care by the BCs and add on packs which ensure that customers are able to get an appropriate mix of tariffs for specific segments.
- These bonus packs are essential since all combinations and calling patterns are not possible to be covered in a single tariff plan
- This is an extremely innovative and effective way to deliver value to segmented customers and their usage requirements
- In this regard we would like to submit that lifetime tariff plans (which constitute the bulk of activations today) are attractive primarily because of the longer **validity** that these plans offer
- Customers can simply buy talk time / airtime and continue using the service without bothering to renew the validity every so often.
- However, the prices within these plans are often not suited to every occasion and need of the customer

- A Bonus Card or a special tariff voucher serves this need adequately

Thus, it is submitted that equating the enrolment of customers in one or a few plans to lack of choice or options for the customer is not entirely accurate.

2. *Through this consultation process, the Authority seeks the views of stakeholders, inter-alia, on the desirability of further limiting the number of tariff plans offered by a service provider in a service area.*

- As mentioned in our introductory comments, the level of competition in the market should be the sole driver of intervention and imposition of restrictions
- Currently operators are vigorously competing to acquire and retain customers, and are expending great effort in developing tariff plans which are attractive to consumers. If consumers desire simplicity then they will punish operators whose tariff plans are too complex by not joining or leaving them, and will reward operators whose tariff plans are simple and attractive. Since there is vigorous competition, the process of competition will naturally drive operators to implement optimal numbers of plans.
- Unwarranted intervention can have adverse effects and be detrimental to the consumer and the industry as a whole
- The Authority itself has noted that there is intense competition in the market; thus free market forces rather than restriction of choice to customers should be the driving regulatory consideration
- It is not practical to assume that nearly 700 million users would be adequately served by just a handful of tariff and pricing packages.
- Restricting the availability of choice would be customer unfriendly and lead to widespread dissatisfaction
- Varied and diverse calling requirements of customers would remain unaddressed
- Regulatory intervention that disturbs and denies benefits to customers is undesirable under any circumstance – and this would happen because the vast majority of customers are extremely happy with the plans and choices on offer
- The entire concept of introducing competition in the sector was to offer more choice and this would be undone

3. *Further, several tariff packs are on offer and a large number of which virtually replicate the features of a full fledged tariff package making it difficult to distinguish the packs from normal tariff plan Further, several tariff packs are on offer and a large number of which virtually replicate the features of a full fledged tariff package making it difficult to distinguish the packs from normal tariff plan*

- Tariff Packs and Bonus Cards mostly offer simple benefits on a specific element of the tariff plan and do not replicate a tariff plan in total
- Aberrations of this nature can always be checked by the TRAI – since there continues to be a filing requirement and tariffs are scrutinized in detail

4. The TRAI in its paper refers to life time plans and per second plans. But there is a big difference between the two: one is a validity plan and the other is a price plan. We would thus like to mention that:
  - Lifetime Plans with a per second tariff plan are widely available
  - Alternatively, validity can be variable for different pricing schemes / tariffs
5. With the increasing levels of competition, jockeying for greater market space, aggressive price wars will be a key for all operators. It is inevitable that the number and diversity of tariff packages in the market will increase. This is good for customers and hardly a reason for concern.
6. The telecom sector is one of the most dynamic and evolving sectors in the country. There are all kinds of tariff plans for users; offers and promotions that cater to requirements on festive and religious occasions are frequent and common. Thus, price comparisons are not static and if done, should be based on accurate date of latest offerings.
  - **For purposes of price comparison, an area of concern raised by the Authority, endorsing a third party web site to offer such comparisons raises its own set of issues of neutrality and bias and the authenticity of the data and also of the methodology used etc.**

The if this is considered TRAI, should ensure that comparisons are independent and the methodology being used is clear and transparent to all. Further, the rates and prices being used should reflect the latest offerings and not be old data. The third party should thus have an accurate database of all offers in the market to ensure precise comparisons.

In the absence of all or any of the factors above, third party comparisons of tariffs would be suspect and may even serve to mislead customers. We request the Authority to kindly consider these aspects before deciding to endorse such comparisons.

7. The Authority has noted: *what makes things extremely different and difficult in the Indian context, is the gigantic size of the Indian telecom market, its unique licensing/regulatory regime and the innovative tariff plans/packages offered by the Indian telecom operators.*

We completely agree with the TRAI on this and it is this complexity, diversity and size of the market that is addressed by operators through the many special offers. One, two or just a few tariffs can never serve the interests of all subscribers, all the time across the entire country.

Thus, tariff plans have to be innovative and address a variety of calling requirements for hundreds of millions of customers who live in radically different geographies, have very different socio-economic characteristics, travel significant distances for short or long-

term migration, use their phones in very different ways (basic voice and text vs high end smart-phone users) etc – and it would be relevant to mention that this is not true to the same extent for other jurisdictions/countries where such diversity may not exist.

## CHAPTER – 2

8. *PREMIUM RATE SERVICES: The market for services provided through high tariff (premium) numbers has been growing rapidly. In the present multi-operator and multi-service scenario, such premium rate services have increased considerably.*

We agree that this market has been growing rapidly, and we believe that this reflects the substantial value that consumers gain from accessing these services. Clearly consumers do not generally consider the price for these services to be “high” since they are happy to use and pay for them given the value that they receive.

The growth in premium rate services is slow and not really rapid. However with growing numbers, the demand for a host of premium services also increases.

9. *In October 2009 Ofcom published its statement on the scope of PRS regulation which included recommendations grouped around three themes:*
- *Making sure consumers are able to make informed decisions.*
  - *The need to provide consumers with effective redress when things go wrong and*
  - *Helping providers act more responsibly and so prevent consumer harm.*

We would like to submit that all of the above three themes have already been addressed by TRAI in its various orders and directives on premium rate services:

- For example, the TRAI directives specifically require information on applicable charges to be clearly communicated to customers – including in media publicity and advertisements etc; further, customers are informed at the time of opting for a premium rate service of the charges applicable
  - And in cases where a customer feels aggrieved there already exists an effective redressal system that scrupulously ensures genuine customer complaints are resolved with utmost priority.
10. *...due to lack of proper information if the subscriber recharges with a wrong voucher, he does not get the intended benefit. This has led to customer complaints and consequent refunds. To avoid the instances of subscribers paying charges for un-intended recharges, there is a need to ensure that the restrictions / features / benefits of the recharge vouchers are transparently conveyed to the subscribers. The service provider will also need to develop appropriate system so as to reject a recharge when an in-eligible subscriber recharges with a particular recharge voucher.*

Availability and eligibility of benefits are clearly conveyed to customers and instances of un-intended recharges or incorrect recharges are not common. It is also ensured that limited benefits or selective benefit recharges are clearly communicated to customers.

## **Q&A**

### **Issues for consultation - relating to Telecom Tariffs**

1. What, according to you, are the challenges which Indian telecom subscribers face while understanding and choosing the tariff offers?

#### **VF RESPONSE:**

The customer today is truly pampered in the telecom sector with 10-14 operators in each circle offering products and tariffs that are innovative interesting and suited to the customer's requirements best. The challenge for the customer really is to decide between different operators on various criteria like network coverage, service levels, brand value and also tariffs – but tariffs today are the lowest across operators so customers when choosing a service provider keep this as the last benchmark.

In fact, customers can easily negotiate on the type of tariffs they require, they can even opt for customized tariffs based on their individual or group needs.

Customers have a variety of sources to obtain information from. Be it our call center, our IVR, our web site, at the various stores and company outlets and from continuous and regular promotional activities. Customers who purchase a SIM for the first time at any outlet are clearly informed of the tariff features and services.

Thus, on the whole, customers do not suffer from any lack of information, resources or choice before making a decision on the right price point and tariff that suits them best.

2. What according to you are the required measures to further improve transparency in tariff offers and facilitate subscribers to choose a suitable tariff plan?

**VF RESPONSE:**

As we have already stated earlier, though retail prices in India are described as being under “forbearance”. However, tariffs in the Indian market are in fact substantially restricted, constrained and determined by the existing framework which comprises a whole body of telecom tariff orders, directives, regulations etc that define the framework in which tariffs can be offered by operators. The concept of “forebearance” evidently carries a very different meaning in Indian than it does internationally (where internationally it is understood to mean complete restraint from influencing retail tariff levels or structures).

The existing reporting requirement requires all tariffs to be reported to the TRAI. The Authority can therefore intervene at any moment if it feels the need to do so, although we would urge intervention only where competition has been demonstrated to be insufficient through a specific economic analysis, and where the costs of regulation are likely to be outweighed by the demonstrated benefits of intervention, and therefore should only be done in very limited circumstances.

3. Do you think mandating “One Standard Plan for All Service Providers” particularly for the prepaid subscribers as suggested by some consumer organizations would be relevant in the present scenario of Indian telecom market?

**VF RESPONSE:**

We have highlighted our concerns on this earlier and would like to only reiterate that restricting tariffs would be consumer unfriendly and would reduce competition. Imposition of such a requirement would clearly be inconsistent with the concept of regulatory forbearance whereby the regulator refrains from intervening in retail price levels or structures. This would run counter to the high and increasing level of competition in the sector, and the global trends towards reducing regulatory intervention especially in dynamic sectors such as communications. If the Authority is considering such a drastic change to the philosophy of tariff regulation, it should only do so following a serious data driven inquiry into the level of competition in the sector. Such a move would not help deliver the right levels of service or choice to customers. It would in fact throw the sector back to an era when choice in pricing did not exist and customers had to take it or leave it.

The sector has come a long way over the last ten years with innovation being the hallmark and freedom of choice defining the availability of services. To add such drastic restrictions in this market would lead to widespread dissatisfaction and customer unhappiness.

The 700 million customers in telecom cannot all be catered to by simply one or two tariff plans. It is thus essential to leave this to market forces and not intervene because it could be severely harmful to the sector's growth. If some operators do not provide clear price plans that are clearly relevant and attractive to consumers, they will be naturally punished as consumers will not join or will leave their networks, preferring to switch to operators who can deliver what consumers desire.

4. Do you think the existence of large number of tariff plans and offers in the market are beneficial for the subscribers?

**VF RESPONSE:**

Yes it is definitely beneficial. A large number of customers in the market have a variety of communications needs. These needs are not static, but keep changing from occasion to occasion and over a period of time a customer would need different calling plans. For example on one occasion they may be needing to make more international calls and on another occasion a higher data usage. The same customer may shop for very low SMS tariffs on an occasion like Diwali.

All such needs cannot be packaged into one plan and thus there is need to allow diversity of plans and prices. We would sincerely request the Authority not to intervene in this at this juncture.

5. In your opinion is it necessary to revise or reduce the existing cap of 25 on the number of tariff plans on offer? If so, what would be the appropriate number?

**VF RESPONSE:**

We would strongly urge the Authority here to remove this cap of 25 plans and allow operators to innovate and offer more plans – suited to type of customer and occasion of use.

A cap of 25 plans for the needs of 120 million customers – is not nearly enough to cater to all the possible calling requirements at different times of the year etc.

6. Should there be any limit be prescribed on the rates for premium rate SMS and calls? If so, what should be the norms for prescribing such limit?

**VF RESPONSE:**

Premium services, by their very definition, offer a superior value proposition. These are optional services and deliver additional. It is premium precisely because the customer sees additional value in the service on offer. Such a service could be of a type that fulfills a customer's requirements for entertainment or intellectual stimulation or information needs or even be an offer or incentive to participate in an event etc. All of these fulfill a higher need of the customer – that goes beyond calling or texting. Such services require extra effort and could involve creativity and content that would not normally be available through standard means.

We sincerely submit that premium services ought to be in a separate basket – outside the standard bundle of voice, text, video/data etc. Premium rate services are content based and the result of creative and intellectual efforts to provide a value much beyond communications needs. This is no different from a customer willing to pay a much higher price for being served a meal in a luxurious setting where ambience, service, décor and presentation are as important or even more important than the food itself. The same food, of equal quality perhaps, can be purchased for a fifth the price at another location.

Thus, attempting to fix a price ceiling on such services that base their offers on creativity and innovation would serve to kill them and provide no incentive to either the third party vendors / creators of content or the service provider to offer them to their customers.

We would like to submit that customers are fully aware of the benefits and satisfaction that they derive from such premium services and are willing to pay for it. We would request the Authority not to intervene in this and allow the market for creative services and products to grow. Once again the competitive nature of the market would ensure that such offerings across all operators would be uniform and very difficult for any one operator to exploit their customers through excessive pricing.

7. If not, what further measures do you suggest to improve transparency in provision of the premium rate services to prevent the instances of subscribers availing such services without understanding financial implications thereof?

**VF RESPONSE:**

According to the TRAI's existing directive on Premium Rate Services operators provide the relevant information on price and benefit to customers at the very outset.

We inform our subscribers at the very outset of the rates involved and the services on offer. Customers are also informed of this in all publicity campaigns and advertisements.

8. Do you think there is sufficient justification to allow the service providers to realign the ISD tariff in respect of existing lifetime subscribers in view of the grounds mentioned in their representations?

**VF RESPONSE:**

The ISD component of any tariff is not within the control of any operator. Factors that influence the pricing of ISD calls are dependent on the networks and operators of other countries. It is thus unfair to impose a fixed cap on the prices of ISD calls in lifetime packages.

It is also relevant here to recap that the Lifetime Tariffs were introduced in the sector primarily to remove the validity barrier. Validity of plans was a major bottleneck for customers in the sector. Lapsing validity was also an impediment in the sale of prepaid services since customers would have to repeatedly and periodically renew their validity every so often.

The lifetime offer simply removed this barrier and customers were free to recharge and use their connection at leisure without the fear of having to renew validity every month.

However, regulatory intervention enforced a lifetime limit on the prices too. Though the industry complied with this directive, it is essential to review some of the elements to ensure the removal of the unfair cap, especially the one on international call rates or ISD calls. The ISD tariffs are set based on the settlement rates of other countries. These change based on the currency fluctuations, or change in regime in different countries. Operators should be free to adjust their rates accordingly.

Here we wish to mention that such flexibility would also mean reduction in ISD tariffs, whenever that is possible – it is not just increase.

9. What measures do you think are necessary to improve transparency and to prevent instances of un-intended recharges by subscribers in situations of cross-restrictions of recharges?

**VF RESPONSE:**

It is our effort to ensure clear and transparent communications to customers on the nature of recharges available – including its applicability and features. For example a large number of recharges (offering special benefits) are now possible directly over the air, through calls to the call centers or on SMS etc. In cases where a customer enjoying the benefits of one offer and wishing to avail of another, the restrictions, if any, are clearly communicated either at the time of calling the call center or on SMS.

Unintended recharges thus are not common and wherever there is any room for doubt or a complaint from the customer, we ensure that the customer is given the benefit of doubt with appropriate credits.

10. Considering the nature and structure of the prevailing tariff offerings in the market and advertisements thereof, do you think there is a need for TRAI to issue fresh regulatory guidelines to prevent misleading tariff advertisements?

**VF RESPONSE:**

The emphasis on transparency and clarity has been clearly mentioned by TRAI in its directives on transparency and reiterated the need to comply with this in the recent past. The same can be reiterated with a strict emphasis on compliance.

11. Do you agree that the instances of ‘misleading’ tariff advertisements listed in this paper adequately capture the actual scenario in the market? If not, provide specific details.

**VF RESPONSE:**

Complaints relating to misleading advertisements often stem from a lack of understanding rather than the information being misleading.

Customers can call or SMS the call center or seek more clarity on any product, service or tariff by visiting the operator’s websites.

We feel that almost no advertisement is misleading but since people’s levels of clarity and understanding vary all advertisements may not be able to cater to everyone’s expectations.

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