

**Telecom Regulatory Authority of India
Notification**

New Delhi, the 7th day of July, 2004.

No. 301-2/2004-Eco.

In exercise of the powers conferred upon it under sub-section (2) of the section 11 of the Telecom Regulatory Authority of India Act, 1997 as amended by TRAI (Amendment) Act, 2000, the Telecom Regulatory Authority of India (TRAI) hereby makes the following order by an amendment to the Telecommunication Tariff Order, 1999 by notification in the Official Gazette, in respect of tariffs at which Telecommunication services within India and outside India shall be provided.

**THE TELECOMMUNICATION TARIFF (THIRTY FIRST AMENDMENT)
ORDER, 2004**

(4 of 2004)

Section I

1. Short title, extent and commencement:

- (i) This Order shall be called " The Telecommunication Tariff (Thirty first Amendment) Order, 2004".
- (ii) This Order shall come into force from the date of its publication in the Official Gazette.

Section II

2. Under Section III (Tariffs for Telecommunication Services) of the Telecommunication Tariff Order, 1999 " in Clause 6 (Flexibility and Packages), following sub-clauses shall be added after sub-clause(iv):

- (v) A tariff plan once offered by an Access Provider shall be available to a subscriber for a minimum period of SIX MONTHS from the date of enrolment of the subscriber to that tariff plan.

- (vi) The subscriber in the said tariff plan shall be free to choose any other tariff plan, even during the said SIX MONTHS period. All requests for change of plan shall be accepted and implemented immediately or from the start of next billing cycle.
- (vii) For any tariff plan, the Access Provider shall be free to reduce tariffs at any time provided that no tariff item in that plan shall be increased within said SIX MONTHS period.

Section III

This Order contains an Explanatory Memorandum as at Annexure, which explains the reasons for this amendment to the Telecommunication Tariff Order, 1999.

By Order,

[Rajendra Singh]
Secretary
Telecom Regulatory Authority of India

EXPLANATORY MEMORANDUM

TRAI issued a Consultation Paper "Limiting the number of tariff plans by the Access Providers" on 8th March 2004. The major reason for initiating this consultation process was that the service providers have been offering a large number of tariff plans and there were reports that this was confusing consumers and affecting their ability to make informed choice. The existence of such large number of plans also gave rise to consumer concerns of great importance like transparency in charging and migration to other plans etc. The consultation paper suggested placing a cap on the number of plans that can be offered at any point of time by the access providers as one way of addressing the concerns. The paper posed the following issues for consideration before the stakeholders:

- a) What should be the permitted number of plans?
- b) What should be service segments for application of the proposed caps?
- c) Should a minimum validity period be specified for tariff plans offered in the market?
- d) Are business/corporate plans to be treated as separate segment?
- e) How to treat value added services/tariff toppings?
- f) Should promotional plans offers be made as a standard discount offer?

The main issue for consideration was whether to limit the number of tariff plans that access providers can offer and the other issues posed for consultation were of supplementary nature.

Response from the stakeholders

The stakeholders expressed their views in the matter through written submissions and also in the two open house sessions held in Delhi and Mumbai on 12.5.04 and 14.05.04 respectively.

There has been a clear cut division of opinion between the operators and consumer organizations in the matter. The operators with the exception of MTNL opposed limiting the number of plans while the consumers' representatives agreed to the suggestion to cap the number of tariff plans.

3. The views against regulating the number of tariff plans were based on the following:

- i) Limiting the number of tariff plans will not only limit the ability of the service providers in effectively competing in the marketplace, but also go against the interests of consumers.

- ii) Introduction of any kind of cap on tariff plans is not necessary at this moment, as it will amount to further interference with the dictates of the market place. As TRAI's own analyses have proved, a hand off approach on tariff matters has resulted in rapid growth in the sector combined with the lowest tariffs for consumers.
- iii) All operators require certain flexibility with reference to number of tariff plans. The numbers of tariff plans are to be equal to the number of customer segments, based on either calling pattern, incoming calls, closed user group calls, in the area. Ideally, till such time the customers' interest is not affected and the availability of information to customers about the various plans is transparent, easily available and comparable to make an informed decision, the number of plans be best left to the option of the operators.
- iv) In the competitive telephony market of today, practically all of the marketing battles are being fought on the tariff plank. Since the market is still growing rapidly and almost all the service providers are focused on new subscriber additions, flexibility in tariff setting is their principal instrument to attract subscribers

4. The points raised in favour of regulating the number of tariff plans are noted below:

- i) Large number of plans confuses the customers.
- ii) If the benefits of the telecom sector have to really percolate to ordinary subscribers, new tariffs and promotional schemes must be implemented in an organized manner. A subscriber will benefit more if there are just a handful of schemes that he could understand, instead of large number of indecipherable plans.

The stakeholders favouring the cap on the plans have generally agreed that 5 plans per segment is a reasonable number.

5. The consumers' representative supported limiting the number of tariff plans as one possible way to bring in more transparency in the service as a whole. Their concerns were more about the lack of transparency in offering and implementing the tariffs and also in the billing rather than the multiplicity of the plans in the market. They are also troubled by the sudden and frequent withdrawal of the tariff plans and the subsequent migration process. The view generally held was that if these issues could be addressed, the problems associated with existence of large number of plans in the market would be minimised to a large extent. Suggestions received in this regard as follows:

- a. TRAI should mandate publication of tariff plans in a manner that allow comparison.
- b. There shall not be any hidden charges or charges in the fine print.
- c. A plan once introduced by a service provider shall have reasonable validity period. However, the customer should be free to switch over plans and there should not be any binding period for him
- d. For withdrawal of a tariff plan, advance notice with reasonable time to each individual subscriber enrolled in the plan shall be mandated.
- e. In the event of closure of a plan, migration to any other plan shall be with the consent of the customers.
- f. TRAI should start a consumer portal giving details of tariffs offered by all service providers.

6. The feedback from the consultation process can be summed up as:-

- i) The operators are not in favour of limiting the number of tariff plans.
- ii) The consumers' are mainly concerned with the lack of transparency in the manner in which the plans are offered and implemented. They have supported limiting the number of tariff plans as a means to enhance the transparency.
- iii) If transparency in publishing and implementing the tariffs and in billing the customers can be ensured the problems generated by the multiplicity of the plans can be contained to a large extent.

7. In view of the responses received from the stakeholders and in view of the dynamism in the market on account of intense competition, the Authority has decided not to further regulate the number of tariffs offered by the access providers. Therefore, in this matter of number of tariff plans the existing provisions of the 21st Amendment to TTO dated 13.6.02 shall continue. As per this Amendment, at any given point of time not more than 25 plans shall be on offer by a service provider. This includes both post paid and pre paid tariff plans.

8. At the same time the Authority also felt that there is a need to enhance the level of transparency in provision of service especially in the manner in which the tariffs are offered and implemented. The Authority has, therefore, decided to incorporate certain suggestions received during the consultation process in the TTO thereby making its compliance mandatory for the access providers. The new provisions would curb the practice of the operators offering new regular tariffs/tariff plans and withdrawing or revising it suddenly, upsetting the basic considerations on which the subscriber has exercised his choice for the tariff. This causes inconvenience to the subscribers already enrolled and also forces them to migrate to another plan. The new provisions will ensure that the service would be available to the subscriber for the chosen price level at least for a period of six months. There shall, however, be no restriction on the operators in reducing any items of tariff during this period of SIX MONTHS. The existing Guidelines for promotional packages will not be affected by this Order. The provisions of this tariff order would mitigate the problems faced by the customers on account of the frequent revision/withdrawal of the tariffs/tariff plans by the service providers and also make the migration of the subscribers from one plan to another more transparent and consumer friendly.

9. The directive issued by the Authority on 24.5.04 has addressed the suggestion in respect of a more transparent method in publishing the tariffs. The directive prescribes a simplified format in which the service providers should advertise their tariff plans. The website of the service providers shall now also contain the details of calculations/methodology etc as to how the financial implications of different slabs of usage that are advertised have been arrived at. This is expected to be of great use to the customers in evaluating the tariff plans.

[Rajendra Singh]
Secretary
Telecom Regulatory Authority of India