

## **CUTS' Comments TRAI's Consultation Paper on 'Tariff Plans With Lifetime Validity' (Consultation Paper No. 04/2006)**

### **1. General Comments:**

1.1 In principle CUTS is not averse to let service providers offer innovative products such as so-called 'tariff plan with lifetime validity', as long such offers induce economic efficiency in the industry without compromise on competition concerns in longer-run. In such cases, the terms and conditions associated with such offers must be communicated to potential subscribers up-front in unambiguous manner.

1.2 The fact that more and more service providers are responding to match with the so-called 'tariff plan with lifetime validity' offer indicates that the Indian telecom industry is far more competitive compare to some years ago.

1.3 Such schemes increase affordability of telecom services and would help service providers achieve a sharp rise in subscribers that will in turn increase teledensity, a major policy objective. Particularly for the low-income section of the population and for those who live in small towns and semi-urban areas, connectivity at such economical price should be considered as a welcome feature. As and when mobile operators start covering rural areas, it would be advantageous for the consumer to use the mobile phone for connectivity without bothering about Monthly Rent. Such schemes have the potential to increase teledensity in rural areas.

1.4 As has been recognised in the Consultation Paper, not many offers could be identified world over which could be compared with this so-called 'lifetime validity offer'. This is a tribute to innovation and imaginativeness of Indian telecom service providers, however, at the same time it highlights the need for TRAI to get into the depth of the matter to ensure protection of consumer interest in longer time.

### **Specific Comments:**

**Question 1. Whether tariff schemes with lifetime validity would have long-term viability and sustainability? Please provide reasons for your answer.**

**CUTS:** Such schemes might be viable and sustainable in longer run as this would add considerable number of new subscribers to the respective networks. In most cases infrastructure capacity of service providers is under-utilised to considerable extent, particularly in smaller town and semi-urban areas. Given that, the marginal cost of providing cell phone connection should be minimal.

Further, as has been observed in most service industries, including in telecom, that once a service is made available to consumers its consumption increases with time. This pattern is likely to be followed in this case as well. Though so-called lifetime connectivity is been made available for incoming calls only however it is most likely that over the years most such subscribers will make at least a certain number of outgoing calls as well, thus generate

additional revenue for service providers which would be far more than the costs. The same consumption pattern was observed in case of prepaid category of subscribers earlier.

In addition to that, increased subscriber base would lead to substantial increase in the call termination charge revenue.

**Question 2. Whether lifetime can exceed the balance license period of the operators and if not, would the plans vary in their validity duration? Please provide reasons for your answer.**

**CUTS:** The fact remains that service providers are entitled to operate in respective Circles for a specified time period. Given that, they should not and cannot commit anything that goes beyond the time of validity of its license.

Evidently, the offer is for the 'lifetime of the licensee' and not that for that of subscriber which unfortunately has not been communicated explicitly in the promotional campaigns.

TRAI must look at this issue and get rectified, through directing service providers to specify the validity of the offer (i.e. the date till the license is valid). The service providers should not be allowed to use the term 'lifetime' as this is not being used in right perspective hence misleading the subscribers.

**Question 3: What will happen to the plans if the traffic patterns and Interconnect Usages Charge (IUC) regime changes substantially? Please provide reasons for your answer.**

**CUTS:** Such uncertainties and possibilities always remain associate with any scheme and this scheme is no exception. We recognizing that the burden of possible regulatory inconsistency cannot be imposed entirely on service providers, yet TRAI must ensure that service providers abide by the commitments they had made with consumers except only in case of occurrence of a major shift in IUC regulation. In case, need is realised to overhaul IUC regulations, regulator should take account of this issue as well.

**Question 4 [a]: What are the possible measures to Protect interest of consumers who are subscribing to lifetime tariff plan? Please provide reasons for your answer.**

**CUTS:** As has been recognized in the Consultation Paper, the offer is a sort of 'Contract' between the service provider and consumers. Given that, it could be mandated that tariff item or other declared features as available at the time of enrolment of a subscriber shall not be altered to the disadvantage of the subscriber during the entire promised validity period.

**Question 4(b): What should be the nature of the penalty on operators should they renege on the contract of Life Time Offer?**

**CUTS:** TRAI should not allow service providers to breach the contract they are getting into with consumers. Should this happen, the penalty should be sufficient enough to serve as deterrent to other service providers following the same path.

**Question 4 [c]: Should the Authority mandate that the features/call charges in the lifetime period offers shall not be altered to the disadvantage of the consumers during the entire period?**

**CUTS:** Yes.

**Question 5: What could be the possible implications of tariff schemes with lifetime validity for the orderly growth of the telecom sector? Please provide reasons for your answer.**

**CUTS:** Achieving rapid growth in subscriber base, hence improved teledensity, is one of the major policy and regulatory objective. The so-called lifetime connectivity offer provides excellent opportunity to achieve this important goal at faster pace. The opportunity should be availed to the fullest.

At the same time, TRAI must maintain a constant and close watch on quality of service parameters and take necessary measures to maintain and improve that as per the provisions of the law. This would discourage service provider to add new subscribers to its roll at the cost of quality of service on offer.

**Question 6: Is there any need to spell out exit options in the case of tariff schemes with lifetime validity? If so, what are they? Please provide reasons for your answer.**

**CUTS:** Service providers should not be allowed to lock-in the subscribers. Following two exits arrangements should be provided:

- (i) Subscribers of so-called lifetime plan should be allowed to graduate to other plans that the same service provider offers. Given that the subscribers of other tariff plans are allowed for such shift, there is no reason for restricting the so-called lifetime subscribers from availing such options.
- (ii) Once the number portability regulation comes to force, subscribers of so-called lifetime validity plan should be allowed to switchover to other service providers who offer a comparable plan.

**Question 7: In the light of the current experience with the Life Time Type tariff plans, should TRAI introduce Asymmetric Regulation requiring the dominant operator in the concerned service area to obtain prior approval of tariffs from the Authority? Give reasons for your answer.**

**CUTS:** Prior to launch a tariff plan the major players in the market should be required 'submitting' all details of the proposed offer to the regulator including terms and conditions and the manner in which the proposed scheme will be promoted. This would serve as a document explaining the commitment service provider is making to the subscribers.

However, considering the competitive nature of the market we would not support the idea of getting an 'approval' prior to launching a new tariff plan, as doing that would unnecessary increase the burden on regulatory resources.