

AUSPI / 12 / 2006 / 33

6th February 2006

Shri Pradip Baijal,
Chairperson,
Telecom Regulatory Authority of India,
A-2 / 14, Safdarjung Enclave,
New Delhi 110 029.

**Sub: AUSPI Response to TRAI Consultation Paper No.04/2006
dt. 16th January, 2006 on Tariff Plans with Lifetime Validity**

Dear Sir,

We refer to the TRAI Consultation Paper on Tariff Plans with Lifetime Validity and are pleased to furnish our question wise response as **Annex**.

We look forward to participation in the Open House Discussions and TRAI's favourable consideration of our views while finalizing its recommendations on the above consultation paper.

Thanking you,

Yours faithfully,

S C Khanna
Secretary General

CC: Dr D P S Seth, Member, TRAI
Shri P K Sarma, Member, TRAI
Shri Rajendra Singh, Secretary, TRAI
Shri M Kannan, Advisor (Eco), TRAI
Shri Sudhir Gupta, Advisor (QoS), TRAI
Shri R K Bhatnagar, Advisor (FN), TRAI

Annex

AUSPI RESPONSE TO TRAI CONSULTATION PAPER NO. 04/2006 DATED 16TH JANUARY, 2006 ON TARIFF PLANS WITH LIFE TIME VALIDITY

Q1. Whether tariff schemes with lifetime validity would have long-term viability and sustainability? Please provide reasons for your answer.

Prima facie, yes. Tariff schemes with lifetime validity would have long term viability and sustainability. Some of the reasons for the viability / sustainability are:

- ❖ Lower churn of the subscribers.
- ❖ Termination charge for the incoming calls provides revenue.
- ❖ Customers would originate calls giving additional revenue to the operator.
- ❖ Improvement of economies of scale for the operators.
- ❖ Drive new market for the operators that will have cascading effects on telephone connections.

Q2. 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.

Any plan introduced by an operator can only be for the period for which the operator is licensed to provide services. However, it is our expectation that operators would be allowed to extend the license period and hence would be able to provide services for "lifetime" period.

Q3. What will happen to the plans if the traffic patterns and Interconnect Usage Charge (IUC) regime changes substantially? Please provide reasons for your answer.

Any change in IUC regime and / or licensing conditions will necessitate a corresponding recalibration in the pricing to reflect the changed cost scenario. India being one of the most competitive markets, the tariff would always be consumer friendly.

Q4a. What are the possible measures to protect interest of consumers who are subscribing to lifetime tariff plan? Please provide reasons for your answer.

Consumer is the King. It is in the interests of the operators to protect the interests of the consumers.

Q4b. What should be the nature of the penalty on operators should they renege on the contract of lifetime offer?

In compliance with the license condition and TRAI's directives, the issue of renegeing is regarded null.

Q4c. 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?

TRAI should not mandate any such stipulation since in a competitive environment, the customer will continue to deserve and demand the best. The consumer lives within the concurrent regulatory and licensing environment.

Q5. 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.

The lifetime validity offers would increase the rate of growth of the telecom industry by increasing acquisition for service providers and thus the tele density. This has been adequately demonstrated with the increase in industry additions in the months of November and December 2005. This would take the industry closer to the Indian Government's target of 250 million telecom subscribers by the year 2007. This tariffing scheme represents a paradigm shift in the case of tariffing.

Q6. 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.

The lifetime offer is based on the economics worked out by the companies taking into account the acquisition / retention / servicing costs and hence a lifetime charge matching the offer. Thus, there is no need to spell out exit option.

Q7. 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 tariffs from the Authority? Give reasons for your answer.

Proposition to introduce Asymmetric Regulation is not relevant. It is the market forces that must drive and derive quality, comfort and value.
