CONSUMER PROTECTION ASSOCIATION
HIMMATNAGAR
DIST. : SABARKANTHA
GUJARAT

Comments on Consultation paper On Validity period of Tariff Offers

The aims of the TRAI should be to ensure that customers of communications providers should not overcharged and that they receive the services they are charged and pay for, that they can adequately control how much they spend on the usage of voice call and data services, and that they are treated fairly where they have not paid their bills.

Question 1:

Whether TRAI should intervene in the issue of validity period or allow the same to be under forbearance?

Comments : Yes

TRAI should intervene in the issue of Validity period because :

Service providers are misusing the forbearance policy :

1. Historically, cellular companies used to charge a minimum monthly rental if the customer wanted his number to remain active and available for receiving incoming calls.

2. Before few years they have started plans with lifetime validity or unlimited validity. As a customer they have promised to have life time validity.

   (i) At one time, on an all India, average 72% of the lifetime subscribers recharge every month.

   (ii) Churn of customers was also observed from lifetime plans.

   (iii) The lifetime schemes were providing an ARPU of Rs. 218 per month.

Even though, they have abandon this policy on the ground of Legally, they are free to withdraw any tariff as long as it is at least six months old. This is a breach of trust.

3. There is a need to protect the interest of subscribers in case the tariff and other declared features of the tariff plans with longer validity period including long term plans are changed to the disadvantage of the subscribers during the promised validity period.

4. Now a days the tariffs are not flexible, not innovative and with no consumer benefit.
5. There is no competition among the service providers, so forbearance cannot works in favour or the customers. TRAI should review the forbearance in telecom tariff.
6. Previously, all major service providers had uniformly and simultaneously increased the tariff.
7. The service provider should be very clear about the validity of tariff recharges, the consumers felt cheated, these 28 days tariffs created confusion.
8. certain tariff/vouchers and their validity offered by telecom service providers (TSPs) are not in satisfaction of a large section of consumers,
9. Regulators in the United Kingdom (UK) adopted Price Cap Regulation (PCR) in their telecommunications industry in 1984. Since that time, PCR has been employed extensively in many telecommunication markets throughout the world.

   Under price-cap regulation, telephone prices have either fallen or remained the same, productivity has generally increased, modern infrastructure has been deployed at a more rapid pace, and firms have performed at least as well financially relative to the other methods of regulation available. In addition, the evidence so far suggests that the response has been more pronounced under pure price-cap regulation compared to hybrid plans having an earnings sharing component. This result is particularly true along the productivity and network modernization dimensions. Therefore, the existing evidence suggests that it is likely that the introduction of price-cap regulation in the United States telecommunications industry has produced benefits to consumers, producers, and regulators alike.

10. Price cap regulation is intended to replicate the discipline of competitive market forces. Competitive forces compel firms to realize productivity gains and to pass these gains on to their customers in the form of lower prices, after accounting for unavoidable increases in input prices. Therefore, if all industries in an economy were competitive, output prices in the economy would grow at a rate equal to the difference between the growth rate of input prices and the rate of productivity growth.

11. The number of operators in each circle has reduced thereby providing undue competitive and resultant pricing power advantage to the operators. In this scenario it is desirable that Policy of Forbearance in Telecom Tariffs is withdrawn.

12. Any type of intervention or government policy that attempts to improve the business environment or to alter the structure of economic activity toward sectors, technologies or tasks that are expected to offer better prospects for economic growth or societal welfare than would occur in the absence of such intervention.

13. Regulatory forbearance can be understood as a market-distorting instrument of industrial policy, which applies horizontally—that is, by undermining the *erga omnes* applicability of the regulatory regime— but whose economic effects are produced in a way similar to vertical

industrial policies i.e. by favoring specific producer groups or sectors and creating winners and losers. Forbearance falls within this category because non-enforcement fosters selective non-compliance with costly regulations which, under normal conditions of full enforcement, would instead be borne equally by the same producers in the economy.

Question 2:

If the answer to the Question 1 is yes, then whether the TSPs be mandated or merely advised to offer tariff (for PVs, STVs and CVs) for a specified duration?

Comments :

TSPs should be mandated to offer tariff (for PVs, STVs and CVs) for a specific duration for the benefit of consumers.

If TRAI advise to do some things but does not tell them how and what to do, the service providers may act at their discretion. If it is not clear that what service providers should do, they have not given a mandate. A discretionary function is an act, involving an exercise of personal judgment.

Mandate must be clear, stated to the service providers, by the Authority, through the right means and treated as mandates by all involved.

Question 3:

Whether the period to be specified should be considered as 30 days or a month with requirement of tariff to be renewed only on the same date of each month or separate tariff offers be mandated for 29/30/31 days in addition to the present practice of offering tariff for 28 days?

Comments :

The length of billing cycle tend to fall in line with industry norms worldwide. Service providers should fix their individual billing cycles in the ways that help them better manage cash flows or accommodate changes in the credit worthiness of customers. We don't feel that 28 days billing cycle can be more beneficial for the service providers for better management of cash flows.

Billing is performed in *cycles*. There are two types of cycles:

- The *accounting cycle* compiles all of a customer's balance impacts and stores them in bill items. **The accounting cycle is always monthly.**
- The *billing cycle* defines how often to request a payment for the balance impacts contained in the bill items. You can request payments every month or in any number of complete months, such as quarterly. Therefore, the accounting cycle and the billing cycle always start on the same date, but they can be different lengths.

  If one bill customers every month, the accounting cycle and the billing cycle are usually the same. However, one can bill in any multiple of one month (for example, every two months, quarterly, or yearly). If a billing cycle is longer than the accounting cycle, the bill includes balance impacts from multiple accounting cycles.

Accounting Cycles :

By default, an accounting cycle always ends at midnight, specifically at 23:59:59, and the next accounting cycle always begins at 00:00:00. Business Revenue

Management (BRM) performs various tasks at the end of one accounting cycle and the beginning of the next accounting cycle.

About Accounting Cycle Dates

The day that the accounting cycle starts is called the accounting day of month (DOM). By default, an accounting cycle begins on the day of the month that the customer account is created. For example, if the customer creates an account on the 15th, the accounting cycle starts on the 15th day of the month.

Although an accounting cycle is always one month long, the length of the accounting cycle changes from month to month. For example, if an accounting cycle starts on the 15th day of the month, there are more days between January 15 and February 15 than there are between February 15 and March 15.

Billing period should be on monthly basis against the service provide.

Present practice of offering tariff for 28 days should be stop immediately because :

In one year 365 days or 12 Months.

365 Days / 12 Months = 30.41 Days

Now 365/28D=13.04 months.

(i) The 28 days is not actually calendar days or real 24 hrs from the day date time of recharge till next day like hotel checkout, but till 23:59:59 hrs of same day is counted as one day so in reality it is only 27 days.

Only if one recharges @ 00:05 hrs of a day then it is 28 days, but who can do this regularly ?

(ii) Considering the international practices and considering the fact that the tariff of post paid services are also fixed on a monthly basis despite the changing number of days in different months, the concerns of the TSPs is misplaced the days in the months are different..

(iii) Earlier the recharges used to be unlimited/limited validity with charging them for calls. With the advent of the new service provider, the game has been changed. The service providers try to consolidate the revenue, began to offer unlimited data and calls plan as they were losing the revenue drastically which they used to charge earlier. The service providers deliberately placed the cycle as 28 days to get an extra billing cycle (I.E if monthly plans are billed or recharged for 30 or 31 days number of bills or recharges will be 12 where as by placing as 28 you get 365/28 days=13 cycles) as no one would focus on the reduction of days from 31/30 to 28 days that is an insignificant for daily user but on a bigger picture to the company it gives one extra cycle over a million of users.

(iv) A 28 day recharge forces the consumer to pay 13 times a year as opposed to 30 day option which requires the consumer to recharge only 12 times. With ARPU at about Rs 150 per month, a large operator with say 100 million active prepaid subscribers, this translates into a Rs 150 crore extra cash every year.

(v) For every little that the customer is asked to give up like 2 extra days validity, the service provider makes a huge profit.

(vi) If we calculate the impact of an increase of just 1 paisa per minute. With over a billion minutes of accumulated talk time each day, this means a 1 crore a day, or 365 crore a year of surplus cash for the service provider.

(vii) There was a time all the telecom operators providing data pack/rate cutter for 30/45/60/90 days.. Later in order to raise their revenue, they would like to raise the tariff but it will be backfired so they tactically reduced the validity which most customers unlikely to notice and hence it become practice..

(viii) Service providers In the UK provides ‘pay as you go’ tariffs for duration of a month and the tariffs renew automatically on the same day of each month, which in practice is similar to postpaid services. Verizon USA also follows a monthly system for charging its prepaid services.

Considering the international practices and considering the fact that tariffs for postpaid services are also fixed on a monthly basis despite the changing number of days in different months, some of the concerns of the telecom service providers may be misplaced.

Question 4:

Whether on the lines of a monthly offering, the other periods viz., quarterly, half-yearly and yearly prepaid tariff offerings be mandated or just the monthly offerings be required?

Comments :

All the Validity period should be mandated. Mentioned above.

Question 5:

If there are any other issues/suggestions relevant to the subject, stakeholders are invited to submit the same with proper explanation and justification.

Comments : No.

Yours faithfully,

(Dr. Kashyapnath)
President
Member organization : TRAI