

TO BE PUBLISHED IN THE GAZETTE OF INDIA
EXTRAORDINARY PART III SECTION 4

TELECOM REGULATORY AUTHORITY OF INDIA
NOTIFICATION

New Delhi, the 19th April, 2012

THE TELECOMMUNICATION TARIFF (FIFTIETH AMENDMENT)
ORDER, 2012

No. 1 of 2012

No. 301-24/2012-ER— In exercise of the powers conferred upon it under sub-section (2) of section 11, read with sub-clause (i) of clause (b) of sub-section (1) of the said section, of the Telecom Regulatory Authority of India Act, 1997 (24 of 1997), the Telecom Regulatory Authority of India hereby makes the following Order further to amend the Telecommunication Tariff Order, 1999, namely: -

1. (1) This Order may be called the Telecommunication Tariff (Fiftieth amendment) Order, 2012.

(2) This Order shall come into force from the date of its publication in the Official Gazette.

2. In Schedule II of the Telecommunication Tariff Order, 1999, under the heading “Tariff”, in the entries appearing against the item “(6) Tariff for prepaid service”, in the proviso, ---

(a) for clause (a), the following clause shall be substituted, namely:-

“(a) Every service provider shall offer and make available to the consumer at least one top up voucher, of denomination of rupees ten.”;

(b) for sub-clause (ii) of clause (f), the following sub-clause shall be substituted, namely:-

“(ii) a nominal fee, not exceeding two rupees for each top up voucher having maximum retail price below rupees twenty and not exceeding three rupees for each top up voucher having maximum retail price of rupees twenty or more, shall be levied towards administrative cost or expenses.”

(Raj Pal)
Advisor(ER)

Note.1. – The Telecommunication Tariff Order, 1999 was published in the Gazette of India, Extraordinary, Part III, Section 4 under notification No.99/3 dated 9th March, 1999, and subsequently amended as given below:-

Amendment No.	Notification No. and Date
1 st	301-4/99-TRAI (Econ) dated 30.3.1999
2 nd	301-4/99-TRAI(Econ) dated 31.5.1999
3 rd	301-4/99-TRAI(Econ) dated 31.5.1999
4 th	301-4/99-TRAI(Econ) dated 28.7.1999
5 th	301-4/99-TRAI(Econ) dated 17.9.1999
6 th	301-4/99-TRAI(Econ) dated 30.9.1999
7 th	301-8/2000-TRAI(Econ) dated 30.3.2000
8 th	301-8/2000-TRAI(Econ) dated 31.7.2000
9 th	301-8/2000-TRAI(Econ) dated 28.8.2000
10 th	306-1/99-TRAI(Econ) dated 9.11.2000
11 th	310-1(5)/TRAI-2000 dated 25.1.2001
12 th	301-9/2000-TRAI(Econ) dated 25.1.2001
13 th	303-4/TRAI-2001 dated 1.5.2001

14 th	306-2/TRAI-2001 dated 24.5.2001
15 th	310-1(5)/TRAI-2000 dated 20.7.2001
16 th	310-5(17)/2001-TRAI(Econ) dated 14.8.2001
17 th	301/2/2002-TRAI(Econ) dated 22.1.2002
18 th	303/3/2002-TRAI(Econ) dated 30.1.2002
19 th	303/3/2002-TRAI(Econ) dated 28.2.2002
20 th	312-7/2001-TRAI(Econ) 14.3.2002
21 st	301-6/2002-TRAI(Econ) dated 13.6.2002
22 nd	312-5/2002-TRAI(Eco) dated 4.7.2002
23 rd	303/8/2002-TRAI(Econ) dated 6.9.2002
24 th	306-2/2003-Econ dated 24.1.2003
25 th	306-2/2003-Econ dated 12.3.2003
26 th	306-2/2003-Econ dated 27.3.2003
27 th	303/6/2003-TRAI(Econ) dated 25.4.2003
28 th	301-51/2003-Econ dated 5.11.2003
29 th	301-56/2003-Econ dated 3.12.2003
30 th	301-4/2004(Econ) dated 16.1.2004
31 st	301-2/2004-Eco dated 7.7.2004
32 nd	301-37/2004-Eco dated 7.10.2004
33 rd	301-31/2004-Eco dated 8.12.2004
34 th	310-3(1)/2003-Eco dated 11.3.2005
35 th	310-3(1)/2003-Eco dated 31.3.2005
36 th	312-7/2003-Eco dated 21.4.2005
37 th	312-7/2003-Eco dated 2.5.2005
38 th	312-7/2003-Eco dated 2.6.2005
39 th	310-3(1)/2003-Eco dated 8.9.2005
40 th	310-3(1)/2003-Eco dated 16.9.2005
41 st	310-3(1)/2003-Eco dated 29.11.2005
42 nd	301-34/2005-Eco dated 7.3.2006
43 rd	301-2/2006-Eco dated 21.3.2006

44 th	301-34/2006-Eco dated 24.1.2007
45 th	301-18/2007-Eco dated 5.6.2007
46 th	301-36/2007-Eco dated 24.1.2008
47 th	301-14/2008-Eco dated 17.3.2008
48 th	301-31/2007-Eco dated 1.9.2008
49 th	No. 301-25/2009-ER dated 20.11.2009

Note 2. – The Explanatory Memorandum explains the objects and reasons for the Telecommunication Tariff (Fiftieth Amendment) Order, 2012.

EXPLANATORY MEMORANDUM

The difference between the Maximum Retail Price (MRP) of the vouchers and the talk value plus service tax is known as processing fee, though different nomenclatures are used to refer to this fixed charge. Through TTO (Forty-Eighth Amendment) Order a ceiling of rupees two was prescribed on processing fee on any recharge voucher exclusively meant for provision of talk value.

2. The Telecom Consumers Protection Regulations (TCP), 2012 reiterate that Top up voucher shall not contain any administrative or processing fee beyond the ceiling specified by the Authority.

3. Association of Unified Telecom Service Providers of India (AUSPI) and Cellular Operators Association of India (COAI) have requested for upward revision of the Processing Fee in Top up vouchers to rupees three from the existing ceiling of rupees two. It has been argued that there has been inflationary pressure in the last three years since the ceiling of rupees two was prescribed by the Authority. Cost of providing service by way of hike in salaries/wages, increase in cost of transportation & diesel cost, increase in cost of storage etc., among others have been cited as supporting arguments in this regard.

4. In order to decide on above representations from COAI and AUSPI, the Authority has invited comments of the stakeholders by issuing a consultation paper on “Certain issues relating to the Telecom Consumers Protection Regulations, 2012” on 15th March, 2012. On the issue of increasing ceiling on administrative and processing fee, the following specific questions were raised for consultation:

- **Is there sufficient justification to increase the ceiling on processing fee on Top up vouchers from Rs.2/ to Rs. 3/-, as requested by the associations of service providers?**

- **If yes, should the above increase in processing fee be allowed only in respect of paper voucher?**

5. The stakeholders were requested to send their comments by the 25th March 2012. Written comments have been received from AUSPI, COAI, few service providers, consumer organisations and individuals. These comments of the stakeholders are briefly discussed as under:

6. The service providers and their associations have reiterated their stated position arguing for increase in the Processing Fee to Rs.3/-. It has been argued that the ceiling of Rs 2/- was prescribed more than three years ago and even at that time they had submitted that the ceiling was not sufficient to recover costs related to recharge vouchers. The reasons given are inflationary pressures and increase in cost of the material to meet requirements of font-size and colour code etc. as prescribed by TCP, 2012. In addition, the costs relating to the distribution and retail commission, printing of vouchers, SMS alerts on activation of vouchers as well as the low level of ARPU and customers moving away from high value top up vouchers to small denomination top up vouchers have been highlighted. However, one service provider has stated that the ceiling of Rs.2/- should continue on denominations up to Rs.100/- as lower denominations are generally used by low income strata.

7. The consumer groups as well as individuals have argued for continuation of the existing ceiling of rupees two. There are also suggestions for not allowing any separate processing fee on top-up vouchers. Further, some of the consumers groups and individuals have argued that in case the ceiling on processing is increased, the top up vouchers of smaller denominations should be exempted from such hike in processing fee in order to protect interests of marginal and low usage subscribers. While one individual has stated that the increase in ceiling on processing fee to Rs. 3/- is justified.

8. Subsequently, in addition to their written suggestions in response to the above cited consultation paper, COAI have submitted another representation to the Authority justifying their proposal for increase in processing fee on top up vouchers. It has been reiterated that the upward revision of processing fee on top up vouchers is inescapable on account of increase in operating costs over the years since the ceiling on processing fee was prescribed. Further, the costs arising out of the implementation of the TCPR, 2012 and drop in revenue of the telecom service providers have also been highlighted. COAI have also argued that the proposed increase in processing fee will only mitigate a portion of the revenue shortfall that has been witnessed with implementation of the TCPR.

9. The Authority appreciates the justifications given by the service providers and their associations as well as the falling trend in APRU. The ARPU in respect of prepaid service for GSM and CDMA was Rs.189 and Rs.95 respectively for the quarter ending September 2008. The ARPU for GSM and CDMA for the quarter ending December 2011 have fallen to Rs.81 and Rs.47 respectively.

10. Notwithstanding the above justifications, the Authority feels that hike in the Processing Fee is likely to adversely impact the users who generally buy Top up vouchers with smaller denominations. While considering increase in the existing ceiling on processing fee, it is necessary to see how the interest of users can be protected so that the processing fee remains at affordable level vis-a-vis the net monetary value offered through the Top up voucher. The impact of any increase in the Processing Fee will be much more in the case of lower denominations Top up vouchers. Details given in the Table below illustrate the extent of impact on of processing fee on top up vouchers of various denominations:

MRP Rs.	Service Tax + Education cess @ 12.36%	Processing Fee		Monitory Value if PF = Rs. 2		Monitory Value if PF = Rs. 3	
		Rs.	%age of MRP	Rs.	%age of MRP	Rs.	%age of MRP
10	1.10	2	20%	6.90	69%	5.90	59%
20	2.20	2	10%	15.80	79%	14.80	74%
30	3.30	2	6.7%	24.70	82%	23.70	79%
40	4.40	2	5%	33.6	84%	32.6	81.5%
50	5.50	2	4%	42.50	85%	41.50	83%
100	11.00	2	2%	87.00	87%	86.00	86%
200	22.00	2	1%	176.00	88%	175.00	87%
500	55.00	2	0.4%	443.00	89%	442.00	88%
1000	110.00	2	0.2%	888.00	89%	887.00	89%

11. In the case of Rs.10/- voucher, which is very popular among users, the monetary value will be reduced to 59% from 69% with increase in processing fee to Rs.3/- i.e., 10% reduction in talk time. In the case of Rs.20 Top up vouchers, effective talk-time value will get reduced to 74% from 79% (reduction of 5 %age points), and so on. As such, for higher denominations of Top up vouchers, the impact of Processing Fee is minimal.

12. While appreciating the justifications in support of increase in processing fee, the Authority feels that the top up vouchers having MRP less than rupees twenty should be exempted from increase in processing fee. The Authority has also noted that the impact of fixed amount of Processing Fee is relatively more on top up vouchers of smaller denominations as compared to higher

denomination top up vouchers. With multiple recharges, the subscribers recharging with smaller denomination top up vouchers end up paying proportionately more processing fee in comparison to the subscribers charging with high value top up vouchers. Therefore, having a uniform fixed Processing Fee across all denomination of Top up vouchers appears to go against equity.

13. Further, the Authority also agrees with the suggestions of the service providers and their association for having a uniform ceiling on processing fee in respect of paper top up vouchers and electronic top up vouchers. A uniform processing fee on paper as well as electronic top up vouchers would be appropriate from transparency and equity perspective.

14. **Therefore, the Authority has decided to increase the ceiling on Processing Fee on Top up vouchers to rupees three from rupees two in respect of Top up vouchers having Maximum Retail Price of rupees twenty and above and to continue with the existing ceiling of rupees two in respect of Top up vouchers having Maximum Retail Price of less than rupees twenty.**

15. Another closely linked issue is ensuring the actual availability of Top up vouchers of lower denominations in the market, as instances of non-availability of such Top up vouchers have been brought to the notice of the Authority. Therefore, with a view to protect the interests of users, **the Authority mandates that every service provider shall offer and make available to the consumer at least one top up voucher, of denomination of rupees ten.**
