

Telecom Regulatory Authority of India

New Delhi

May 31, 1999/ Jyaistha 10, 1921

No.301-4/99-TRAI (Econ.)- In exercise of the powers conferred upon it under sub-section (2) of section 11 of the Telecom Regulatory Authority of India Act, 1997 to notify, by an Order in the Official Gazette, tariffs at which Telecommunication Services within India and outside India shall be provided, the Telecom Regulatory Authority of India hereby makes the following Order.

THE TELECOMMUNICATION TARIFF (Third Amendment) ORDER 1999

1. Short title, extent and commencement:

(i) This Order shall be called "The Telecommunication Tariff (Third Amendment) Order 1999."

(ii) The Order shall be deemed to have come into force from May 1, 1999.

2. In Schedule I (Basic Services Other Than ISDN) of the Telecommunication Tariff Order 1999:

(i) The existing clause (g) shall be deleted and substituted to read as under:

<p>(g) Alternative tariff packages</p>	<p>Alternative tariff and free call allowance offered to subscribers by service providers, in addition to those provided for in the Standard Tariff Package.</p> <p>In the Alternative Tariff Packages, there is no restriction on any tariff to be charged, except that all tariff packages offered by any service provider shall have the same charge for security deposit (other than for STD/ISD), installation and registration as in the Standard Tariff Package offered by that service provider.</p>
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(ii) A new clause (o) shall be added to read:

<p>(o) Refund of Deposits</p>	<p>All deposits (including, <i>inter-alia</i>, STD/ISD deposits) must be refunded in full to the subscriber at the time of disconnection subject to the condition that outstanding subscriber bills, if any, may be adjusted in the final transaction.</p>
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3. In Schedule II (Cellular Mobile Telecom Service) of the Telecommunication Tariff Order 1999:

(i) The existing clause (b) shall be deleted and substituted to read as under:

<p>(b) Alternative tariff packages</p>	<p>Alternative tariff offered to subscribers by service providers, in addition to those provided for in the Standard Tariff Package.</p> <p>In the Alternative Tariff Packages, there is no restriction on any tariff to be charged, except that all tariff packages offered by any service provider shall have the same charge for security deposit (other than for STD/ISD) and installation as in the Standard Tariff Package offered by that service provider.</p>
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(ii) A new clause (d) shall be added to read:

<p>(d) Refund of Deposits</p>	<p>All deposits (including, <i>inter-alia</i>, STD/ISD deposits) must be refunded in full to the subscriber at the time of disconnection subject to the condition that outstanding subscriber bills, if any, may be adjusted in the final transaction</p>
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4. This Order contains at Annex A, an Explanatory Memorandum that explains the reasons for this amendment to the Telecommunication Tariff Order 1999.

BY ORDER

Harsha Vardhana Singh

Economic Advisor

**ANNEX A
EXPLANATORY MEMORANDUM**

1. The tariff notifications from the service providers and the various queries raised by them suggest a need to clarify and amend the Telecommunication Tariff Order 1999 in certain respects with a view to helping customers and promoting competition in the market.

2. The clarifications pertain, *inter-alia*, to certain queries from cellular mobile service providers relating to one-time charges other than those specified in the Tariff Order 1999 and the possibility of charging Wireless Planning and Co-ordination (WPC) charges in addition to the rentals and airtime charges specified for the Standard Tariff Package.

3. The Tariff Order 1999, bars service providers from charging any other initial one-time charge other than that specified in the Standard Tariff Package. This has also been communicated to the cellular mobile service providers through a letter of the Authority, dated April 26th, 1999. This letter states, *inter alia*, that: "no provision has been made for a registration charge (or any similar one-time charge, such as SIM card charge) in Schedule II for Cellular Mobile". The letter further points out that all costs relating to activation and customer acquisition and the like had been included in the cost base while deriving the Standard Tariff Package. The letter therefore, also stated that: "The Authority has decided that no additional charges towards WPC are to be recovered from the subscribers."

4. During the open house discussions on the Second Consultation Paper, several CMTS Operators were of the opinion that flexibility in pricing should be available to them. The Authority agreed with this principle and has accordingly provided for flexibility in the Tariff Order through Alternative Tariff Packages (ATP). The flexibility that the Authority had in mind however, was with respect to airtime and rental charges and not with regard to one time charges (such as membership fee and enrolment fee). The 'entry costs' to the cellular service were therefore limited to security deposit and installation charge and were specified as ceilings in Schedule II. No other one-time cost was envisaged.

5. In their tariff notifications to the Authority, a number of CMTS Operators have included in the ATPs, a one-time charge (such as membership fee and enrolment fee) in addition to the security deposit and installation charge. Since any one-time charge has to be paid up-front, this increases the cost of entry for a subscriber.

6. The Authority has analysed the tariff notifications submitted by CMTS Operators. Although entry costs are higher for certain ATPs, in a majority of the cases it appears the additional one-time charge in these ATPs provides advantage to certain class of subscribers in terms of reduced charges for monthly rental or airtime or both. It further allows for the possibility of additional consumer benefit through the competition that this flexibility is likely to create. In view of the matter, the Authority has decided to amend Telecommunication Tariff Order, 1999, to allow for this additional flexibility.

7. The Telecommunication Tariff Order, 1999, stipulated that the prevailing ceilings in the standard package shall be carried over to the ATPs. The Authority has now decided that in the ATPs, there shall be no restriction on tariffs to be charged. This permits the cost of entry for the subscriber to ATPs to be different from the cost of entry to the Standard Tariff Package. **In order to facilitate mobility between packages offered by the same CMTS Operator, the Authority has also decided that the security deposit and installation charge for all ATPs shall be the same as for the Standard Tariff Package.**

8. As an illustration, consider the following hypothetical examples.

Table I (All amounts in rupees)

Tariff Plan	Standard Package	Alternative Tariff Package I	Alternative Tariff Package II
Installation fee	1,200	1,200	1,200
Security Deposit	3,000	3,000	3,000
Membership fee (one-time)	NIL	5,000	1,000

Table II (All amounts in rupees)

Tariff Plan	Standard Package	Alternative Tariff Package I	Alternative Tariff Package II
Installation fee	1,000	1,000	1,000
Security Deposit	2,000	2,000	2,000
Membership fee (one-time)	NIL	4,000	1,500

Presuming the subscriber had entered the network on the Standard Tariff Package and now wishes to changeover to ATP I at the prices shown in Table I above. In this case, the subscriber shall pay an additional Rs. 5,000 as the one-time entry cost for this particular package. On the other hand, if the subscriber wishes to changeover from the Standard Package to ATP II, then the subscriber shall pay an additional Rs. 1,000 towards the one-time membership fee for this package.

9. Alternatively, consider the prices shown in Table II above. If the CMTS Operator has fixed the installation charge and security deposit for the standard package below their respective ceilings as shown in Table II, then these amounts shall carry over to the alternative packages as illustrated in the Table. **The idea of these examples is also to make clear that installation and security deposit shall not be duplicated when the subscriber changes over from one package to another.**

10. In certain tariff plans notified by CMTS Operators, it is not clear whether the entire security deposit and other deposits will be refunded. The view of the Authority is clearly that all deposits must be refunded when the subscriber leaves a network. The Authority's directive in this regard is that **all deposits must be refunded to the subscriber in full at the time of disconnection.** To the extent, the customer has an outstanding amount due to the service provider at the time of disconnection, this amount may be adjusted in the final transaction.

11. Another clarification with regard to Alternative Tariff Packages is that no tariff classified as Wireless Planning and Co-ordination charge (or "WPC charge") should be levied under these packages. This restriction is, therefore, similar to that applicable to the Standard Tariff Package.

12. In the Tariff Order, flexibility to provide alternative packages was also given for Basic Services. The regulatory framework envisaged was common across both these services. As a result the changes in the regulatory framework for alternative packages for cellular shall apply to Schedule I as well, i.e. to Basic Services (other than ISDN). The necessary changes have been incorporated in the revised Schedule for Basic Services (other than ISDN).