

Bharti Airtel Limited

India & South Asia
Airtel Center, Plot No. 16,
Udyog Vihar, Phase-IV,
Gurugram - 122015

www.airtel.in
Call + 91 124 4222222
Fax + 91 124 4248063



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Dated: 11.06.2021

To,
Shri Kaushal Kishore,
Advisor (F&EA - I),
Telecom Regulatory Authority of India,
Mahanagar Door Sanchar Bhawan,
JawaharLal Nehru Marg,
New Delhi – 110 002.

Subject: Response to Consultation Paper on Validity period of Tariff Offers

Dear Sir,

This is in reference to TRAI's Consultation Paper on Validity period of Tariff Offers. In this regard, please find enclosed our response for your kind consideration.

Thanking You,

Yours' Sincerely,
For Bharti Airtel Limited

A handwritten signature in black ink, appearing to read 'Rahul Vatts', is placed over a light blue rectangular background.

Rahul Vatts
Chief Regulatory Officer

Encl: a.a

Consultation Paper on “Validity period of Tariff Offers”

Bharti-Airtel Ltd (Airtel) is pleased to submit its response to the consultation paper No.02/2021 dated 13th May 2021 on “Validity period of Tariff Offers”. At the outset we would like to submit that Airtel supports any initiative that helps in easing the telecommunication journey of the consumer. At the same time, we urge the Hon’ble Authority that it is imperative that consumer convenience is coupled with ease of doing business and viability of the operators for orderly growth of the telecommunication industry.

Introduction and Background

The Telecom Regulatory Authority of India (TRAI) has issued a consultation paper (CP) on the “Validity period of Tariff Offers” and sought comments of the stakeholders.

TRAI has been established under the Telecom Regulatory Authority of India Act, 1997¹ (“Act”) to, *inter alia*, **protect the interests of service providers and consumers of the telecom sector; to promote and ensure orderly growth of the telecom sector.** TRAI would kindly acknowledge the following key indicators from its own orders :

Telecommunication Tariff Order (TTO)

In accordance with section 11(2) read with section 11(4) of the Act, TRAI issued the first tariff notification on 9th Mar 1999 via Telecommunication Tariff Order (“TTO”²). The then Hon’ble Authority broadly identified the two key objectives for TTO :

1. *TTO is a step in the process of tariff reform which is essential to prepare for competition and for introduction of new services. Tariff may be fair to the service providers and ensure their viability.*
2. *Send a signal to investors in this sector about the direction of telecom pricing reform, the main elements of which were:*
 - *Tariffs will be further re-balanced³ towards costs while emphasizing the social objectives of encouraging low users to telecom to get connected and use the system more intensively; and,*
 - *Service providers, and through them customers, will be provided enhanced flexibility for pricing and giving alternative tariff packages to customers.*

In the TTO:

- *Tariff is defined as “rates and related conditions at which telecommunication services within India and outside India may be provided...”*
- Under the heading ‘Flexibility and Packages’ the TTO provides the framework for different types of tariff specifications including flexibility of tariffs, standard tariff package and alternative tariff packages.

¹ as amended from time to time

² Till now 65 (sixty five) amendments have been issued to TTO.

³ Re-balancing of tariffs involves reducing tariffs which are above costs while increasing those below costs.

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- **The “Billing cycle” of all telecommunication services have been kept under forbearance** whether Basic services, Cellular Mobile Telecom Service (CMTS), ISDN services, Internet, VAS and GMPCS.

Thus since inception of TTO, TRAI has worked to ensure a balance between TSPs requirement for flexibility & freedom to design tariff offerings and market dynamics. Furthermore, the “Billing cycle” of Access services (Basic and Mobile) have been kept under forbearance since 1999.

Our key submissions on current Consultation paper areas follows :

A. Validity is one of the levers that form crucial part of tariff forbearance in addition to headline tariffs

Telecom sector is in a continuous state of evolution due to technological and policy changes, competition, and product innovations etc., and is subject to rapid variations basis customer preferences/ popularity of certain services/ social causes etc.

Indian ARPUs are probably the lowest globally. The Indian mobile sector faces challenges on multiple fronts - intense price competition in the market leading to unsustainable margins, extensively regulated sector with high regulatory levies and taxes and one of the highest spectrum prices.

It is worth mentioning that **India’s ARPU levels are nowhere near to international benchmarks** even on average or median levels. **Developing countries like Philippines , Indonesia, Thailand, Vietnam & Iran have ARPUs ranging from between USD 2.4 to USD 7.7⁴, however India is still struggling to get a measly USD 2 on overall basis.**

Realising this challenge, the **TRAI had itself come out with a consultation paper on floor pricing** which unfortunately remains to be concluded.

Considering these complexities on financial viability and sustainability of industry, the operators have limited options relating to pricing and validity. Considering the pricing sensitivity, operators have chosen to vary validity based on customer needs & requirements. **Telecom operators exercise forbearance to offer and adjust their offerings which are also dependent on customer readiness to absorb changes** and hence the TRAI’s approach on providing forbearance is fundamental for provision of service.

Over the period, the service providers have proven themselves to make consumer-friendly propositions to match market dynamics and consumer convenience. A large part of prepaid customers, recharge and validity is about affordability and thus has daily impact. The current validity period is thus a reflection of customer needs and requirements.

⁴ Based on GSMA Intelligence data for Q1 2021.

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A selective ex-ante intervention on one particular non-price aspect of tariff framework i.e. validity will force service providers to adjust or rebalance other important price aspects of tariff.

Therefore, the extant policy of forbearance on setting the validity of tariff should continue. It not only gives the opportunity to fix tariffs but more importantly allows businesses to innovate and customize their offerings as per customer need.

B. Transparency and Consumer awareness is not an issue

TRAI itself noted⁵ in the consultation paper that **TSPs have been transparently disclosing the validity period** as 28 days etc. and there is not even an iota of misinformation on this front. Such measures to ensure transparency are not only limited to informing validity of the recharge as soon as he/she recharges with a pack, the entire tariff information is also shared with the customer via different modes like SMS, website, mobile application etc.

Moreover a significant customer base these days recharge through mobile apps which give a wide range of information to the customer pertaining to his connection.

In times with changing market realities and consumer behaviour we make use of digital ecosystem and other intelligence tools to educate the customer and work towards ensuring immediate and all time access of information for making an informed choice.

C. Comparison with foreign operators has no basis

Lastly, we humbly submit that comparison with a handful of offerings made by few foreign operators is not fair considering the revenues accruing to foreign operators, share of pre-paid connections to total mobile connections and overall financial viability of operators in those markets. We are also not aware of any country where Regulator has mandated any specific validity period for prepaid recharges/plans.

Our submission

We believe that imposing the validity measures on TSPs’ prepaid offering is not necessary and disproportionate given the lack of any demonstrable consumer benefit (and no evidence of a detailed impact assessment being carried out) and this may rather have unintended consequence due to real challenges and costs of implementation.

Before intervening, the Hon’ble Authority also needs to assess whether by mandating any specific validity, is it trying to prevent any consumer harm or merely encouraging the industry to offer just one more option to consumer, in a situation where multiple efficient choices already exist with the customers.

⁵ Para 2.3 of the CP

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In view of above, we respectfully submit that TRAI needs to ensure right balance between all stakeholders i.e. Consumers and TSPs and hence forbearance should continue on validity period.

With the above background and submissions, please find below our response to the questions raised in the consultation Paper.

Question 1. Whether TRAI should intervene in the issue of validity period or allow the same to be under forbearance?

And

Question 2. If the answer to above is yes, then whether the TSPs be mandated or merely advised to offer tariff (for PVs, STVs and CVs) for a specified duration?

Airtel’s Response:

TRAI has over the years maintained a policy of forbearance in tariff offerings which has acted as a booster for uptake of telecom services and helped the TSPs to offer innovative tariff to the telecom consumers.

Any regulatory intervention in ‘Billing cycle of Tariff offers’ which is presently under forbearance (and since inception), may deter the consumer convenience and stifle the innovation in service offerings.

Presently, there are wide range of product offerings with different validity. Prepaid customers recharge with validity periods so as to ensure value for money and normally recharge with the same pack as and when the validity expires/nears expiry which is independent of a calendar month.

Further, kindly refer to our submissions in the introduction which are re-summarized as below:

A. Validity is one of the levers that form crucial part of tariff forbearance in addition to headline tariffs

- **The Indian mobile sector faces challenges on multiple fronts - intense price competition in the market leading to unsustainable margins, extensively regulated sector with high regulatory levies and taxes and one of the highest spectrum prices.**
- **Indian ARPUs are probably the lowest globally. Developing countries like Philippines , Indonesia, Thailand, Vietnam & Iran have ARPUs ranging from between USD 2.4 to USD 7.7⁶, however India is still struggling to get a measly USD 2 on overall basis.**

⁶ Based on GSMA Intelligence data for Q1 2021.

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- Realising these challenge, the **TRAI had itself come out with a consultation paper on floor pricing** which unfortunately remains to be concluded.
- **Considering these complexities on financial viability and sustainability of industry, the operators have limited options relating to pricing and validity.**
- Over the period, the service providers have proven themselves to make consumer-friendly propositions to match market dynamics and consumer convenience. A large part of prepaid customers, recharge and validity is about affordability and thus has daily impact. The current validity period is thus a reflection of customer needs and requirements.
- Therefore, the extant policy of forbearance on setting the validity of tariff should continue. It not only gives the opportunity to fix tariffs but more importantly allows businesses to innovate and customize their offerings as per customer need.

A. Transparency and Consumer awareness is not an issue

- TRAI itself noted in the consultation paper that **TSPs have been transparently disclosing the validity period** as 28 days etc. and there is not even an iota of misinformation on this front.
- Such measures to ensure transparency are not only limited to informing validity of the recharge as soon as he/she recharges with a pack, the entire tariff information is also shared with the customer via different modes like SMS, website, mobile application etc.
- In times with changing market realities and consumer behaviour we make use of digital ecosystem and other intelligence tools to educate the customer and work towards ensuring immediate and all time access of information for making an informed choice.
- If any additional measures are necessary for transparency, we would be most happy to discuss the same with the TRAI.

B. Comparison with foreign operators has no basis

- We humbly submit that comparison with a handful of offerings made by few foreign operators is not fair considering the revenues accruing to foreign operators, share of pre-paid connections to total mobile connections and overall financial viability of operators in those markets. We are also not aware of any country where Regulator has mandated any specific validity period for prepaid recharges/plans.

In addition, we would like to submit as under :

- C.** While there is no concept of a “month” for a prepaid customer as he/she recharges based on a fixed validity in terms of days, a postpaid customer perceives a “month” basis a calendar month as the bills gets generated for a calendar month, be it 30 days, 31 days or 28 days.

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It is practically neither possible nor advisable to compare prepaid with postpaid due to the very nature of their billing/charging methodologies.

- D. The concept of 28 days is now well understood by customers. It helps marginal customers to control and manage their usage better.**
- E. Most importantly the TSPs have been transparently disclosing the validity period as 28 days to the consumers via various modes, which has been recognized by the TRAI itself. Therefore, there is no lack of transparency which is a critical element of tariff assessment, as per TTO.**

In view of the above, it is submitted that the policy of forbearance in tariff offerings and billing Cycle including validity period should continue, and therefore, there is no need for any regulatory intervention for validity period of tariff offers.

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?

And

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?

Airtel's Response:

Any kind of limitations or restrictions in the construct of the product specifically validity has the potential to drastically impact customer behaviour and in the process result in limited options, needless to say that this will also impact and stifle innovation. Internationally too, we are not aware of any country where Regulator has mandated any specific validity.

It is submitted that under the forbearance framework, there is no concept of a “month” for a prepaid customer as he/she recharges based on a fixed validity in terms of days whereas a postpaid customer perceives a “month” basis a calendar month as the bills get generate for a calendar month, be it 30 days, 31 days or 28 days.

The Comparison of monthly billing in case of Postpaid (Postpaid billing viz-a-viz Prepaid Offer Validity) with the proposed availability of monthly and multiples thereof pack in case of prepaid is also incorrect due to the following reasons:

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1. Postpaid system runs on the basis of a definitive start and end date for billing referred to as a “billing cycle” basis which a monthly bill is generated and paid by the customer. It should be taken into consideration that there is no action (recharge due to expiry of the pack etc) required at the end of a postpaid customer to ensure continuity of service as he/she is being charged month on month basis a tariff plan he/she may have subscribed by paying a fixed monthly rental.
2. Prepaid journey is completely different due to the absence of the concept of “billing cycle” and the continuity of service is dependent upon the pack purchased with certain benefits and validity associated with it. **The validity in this case could range from 1 day to 365 days** and is independent of a calendar month. This translates to the fact that **a prepaid customer has a liberty to recharge his account any day in a calendar month basis his needs and the validity starts from the date of recharge and ends on a definite date as per his pack construct.**
3. **A large percentage of prepaid customer belongs to very low income group, a 28 days validity for such section of society means they budget their usage on a weekly basis which helps in managing their mobile expenses in a better and organized way over a month.**

Based on the information perused from some **international markets of UK, US and regulators like FCC and OFCOM, it seems to us that there is no regulatory mandate by the Regulator(s) on the specific validity period of a pre-paid billing cycle** and monthly offers in pay-as-you-go / pre-paid segments provided by some service providers but a market driven approach. In-fact we find that the regulatory authorities in these jurisdictions tend to provide general guidance around transparency.

Moreover as table below shows, the subscriber base of countries like US, Australia, Singapore & UK has prepaid base range from 19% to 33%. It can be seen from the same that the prepaid base in overall mobile connections is totally different i.e. significant lesser to Indian scenario. Similar situation is also true in certain Asian countries as well.

Table showing Mobile connection & prepaid share for Q1 2021		
Country	Total Mobile connections (mn)	%age prepaid base
USA	356	19.63%
Australia	32.6	31.46%
Singapore	8.5	33.18%
UK	68.8	27.32%
Iran	132.80	72.69%
Thailand	93.53	71.51%
Malaysia	40.35	67.78%
Maldives	0.79	76.78%
World	8,156.86	71.72%
Source: GSMA Intelligence		

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While creating one pack with a specific validity (say 30 days) may not be a technical challenge, however, any regulatory mandate for separate tariff offer would dilute the policy of forbearance which has worked well for all stakeholders.

Further, it is in the best interest of service provider to continuously understand the evolving needs of its consumer and make offerings in line with their aspirations and in future if such a need becomes apparent, the TSPs would do so immediately.

TRAI’s proposal for a mandatory 30 day plan that too rechargeable only at specific date may be impractical as mobile operators are subject to variations on a constant basis, some of which are out of their control. We believe this approach does not appear to be proportionate or clearly linked to any specific consumer harm. Any ex-ante regulatory intervention should be proportionate and able to demonstrate impact on material detriment to consumer welfare.

Therefore, it is submitted that just mandating a tariff offer with a specific validity of 30 days or a month with requirement of tariff to be renewed only on the same date of each month, may not be any value addition to a prepaid customer whose recharge preferences may not change by introduction of such one-off offering.

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.

Airtel’s Response:

Tariff is a function of rate and related conditions at which telecommunication service is provided to the consumers. Therefore, it is submitted that this tariff review excise should also ensure the best regulatory principles as stipulated in the TTO over the period, which are summarized below for ready reference:

1. Rates/Charges should be cost-oriented or recovered the costs incurred by the TSPs.
2. Customer’s affordability and viability of the TSPs, and ;
3. Ensure orderly growth of the telecommunication sector.
