

# Telecom companies threaten to raise tariffs to make up for call drop fine

By *Muntazir Abbas*, ET Bureau | 6 Jan, 2016, 04.59AM IST

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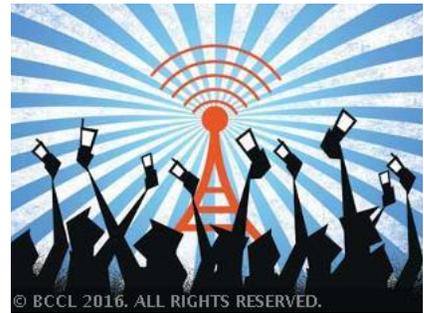
NEW DELHI: Mobile phone operators have warned that they will be forced to increase voice and data tariffs if they have to compensate their subscribers for call drops, which will significantly add to their costs. They say given the [investments](#) that carriers need put in for 3G and 4G, they will not be able to bear the additional costs and will need to pass them on.

"Any increase in operator costs, of which penalties are a part, puts upward pressure on tariffs," Rajan S Mathews, director general of Cellular Operators Association of India, told ET. He said the final impact on actual tariffs is subject to the competitive landscape. Cellular Operators Association of India (COAI) represents telecom companies operating on GSM tech such as [Bharti Airtel](#), Vodafone and [Idea Cellular](#) while those using CDMA or dual technology, such as Tata Telservices and [Reliance Communications](#), are represented by the Association of Unified Service Providers of India (AUSPI).

Telcos have been asked by the Telecom regulatory Authority of India (Trai) to compensate customers Rs 1 for each call that gets dropped due to fault at their end, from January 1. The compensation was capped at Rs 3 per day per subscriber. The carriers moved court, which did not stay the order but directed the telecom regulator not to take coercive action against the operators. The carriers have not started compensating their users, saying they will only do so once the court orders them to.

The next hearing is on Wednesday. Carriers say the call drop levy may lead to an additional burden of around Rs 54,000 crore on their books annually, a view strongly contested by the telecom department and the regulator, who says the impact will be a maximum of Rs 800 crore a year. Ashok Sud, secretary general of Association of Unified Service Providers of India, is hoping for a favourable decision from the court. "In the long-run, it is important to have a holistic view of income versus expense for any business to sustain.

The additional cost arising due to penalty is likely to be transferred to operators' tariff regime," said Sud. The debt on the sector stood at Rs 3.5 lakh crore in April 2015, which, according to analysts, is likely to go up if telcos have to shelve out money to compensate subscribers. But the carriers can not afford to take on more debt given that their balance sheets are already stretched, especially at a time when over Rs 500,000 crore will be required over next 10 years for expansion.



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Any increase in operator costs, of which penalties are a part, puts upward pressure on tariffs

**RAJAN S MATHIEWS**  
Director General, COAI

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