



# Cellular Operators Association of India

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TVR/COAI/040  
March 6, 2009

**Shri Nripendra Misra**

Chairman  
Telecom Regulatory Authority of India  
Mahanagar Doorsanchar Bhawan  
Jawahar Lal Nehru Marg (Old Minto Road)  
Next to Zakir Hussain College  
New Delhi 110002

Dear Sir,

At the outset I would like to thank you for giving Mr. Tom Phillips, Chief Government & Regulatory Affairs Officer, GSM Association and the undersigned, the opportunity to meet with you on March 5, 2009 to personally convey to you our views and concerns with regard to the ongoing IUC review exercise being carried out by the Authority.

I believe that Mr. Phillips, with his vast experience and knowledge on various developed as well as developing telecom regimes, was able to lend a unique global perspective to the approaches adopted by Regulators worldwide in developing rural markets and bringing about a more balanced and equitable telecom growth which delivers values to all segments of communities, whether in urban or rural areas.

We at COAI are in full agreement with the views communicated by Mr. Phillips during his discussions, viz.

- rapid rollout of mobile services to the 600,000 plus village communities will be a major factor in generating new economic growth for India.
- while the marginal cost of a mobile network carrying an extra minute of traffic may not be large, it is however equally true that eventually all networks must invest capital in new capacities and unless those costs are recovered too, the market will have no incentive to invest.
- experience from high growth emerging economies around the world, demonstrates a very strong correlation between investment levels, coverage and good regulation

A copy of Mr. Phillips letter in this regard, addressed to you is enclosed once again, for your ready reference.

We urge that the above may be given due consideration and support by the Authority whilst reviewing the IUC regime/ charges for the Indian telecom sector

Sincerely,

**TV Ramachandran**  
Director General

Encl:

Copy to : Shri A. K. Sawhney, Member, TRAI  
: Shri R. N. Prabhakar, Member, TRAI  
: Prof. N. Balakrishnan, Member, TRAI  
: Dr. Rajiv Kumar, Member, TRAI  
: Shri R. K. Arnold, Secretary, TRAI  
: Shri Lav Gupta, Pr. Advisor (FN), TRAI  
: Smt. Sadhana Dikshit, Pr. Advisor (IFA), TRAI  
: Shri N. Parameswaran, Pr. Advisor (RE), TRAI  
: Shri Sudhir Gupta, Advisor (MN), TRAI  
: Dr. M. Kannan, Advisor (Eco), TRAI  
: Shri S.K.Gupta, Advisor (CN), TRAI  
: Shri M. C. Chaube, Advisor (QOS), TRAI

Thursday, 05 March 2009

**Mr. Nripendra Misra**

Chairman

Telecom Regulatory Authority of India

Mahanagar Doorsanchar Bhawan

Jawahar Lal Nehru Marg (Old Minto Road)

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Dear Chairman Misra,

Thank you for agreeing to see me this afternoon, in what must be a very busy period for you. Your market stewardship is watched closely by many who understand the great success of Indian telecommunications sector. Following your retirement, I do hope we will have the opportunity to meet and collaborate again, perhaps initially in Hong Kong, this October, as discussed.

Regarding India's rural market, I believe that the rapid rollout of mobile services to the 600,000 plus village communities will be a major factor in generating new economic growth for India. As I mentioned, in April, the global mobile community will be placing before the G20 leaders a unique proposal to invest in rural internet access. A key element of our proposal is that it does not require government funding, unlike so many industries that are asking for 'bailouts' in these difficult economic conditions. I look forward to your government's positive response.

Investment in rural mobile infrastructure is critical to the long term success of India. I was therefore concerned to hear that your calculation of the correct level for mobile termination charges did not take into account capital costs. I believe India would be unique in not considering network growth and regeneration in setting these rates and I expect that such an approach will have a damaging effect on rural rollout. It is true that the marginal cost of a mobile network carrying an extra minute of traffic is very small, but it is equally true that eventually all networks must invest capital in new capacities and unless those costs are recovered too, the market will have no incentive to invest.

Experience from high growth emerging economies around the world, demonstrates a very strong correlation between investment levels, coverage and good regulation. I would therefore urge you to consider an alternative approach to MTC calculation in line with these markets and international best practice.

The GSMA stands ready to support the TRAI in this regard and I would welcome the chance to share the insights we have gained from other markets.

Yours sincerely,



**Tom Phillips**

Chief Government & Regulatory Affairs Officer