

February 10, 2005, New Delhi

Subscriber Numbers for January 2005

The total cumulative all India GSM subscriber base rose by **1.27 million** from **37.39 million** in December 2004 to **38.65 million** in January 2005, showing a **growth of 3.29%** in the month under review.

Looking at the Group wise performance, Bharti continues to lead the market with 10.24 million subscribers, followed by BSNL with 8.67 million subscribers and Hutch with 7.43 million subscribers.

Delhi continues to be the leading cellular market with 3.92 million subscribers accounting for 10.14% of the total market, closely followed by Mumbai with 3.73 million subscribers accounting for 9.65% of the total market.

A summary picture of the company wise performance is given below:

SI No.	Name of the company	No of Subscribers (In mn)	% Market Share	No of Service Areas
1.	Bharti	10.24	26.50%	21
2.	BSNL	8.67	22.44%	21
3.	Hutch	7.43	19.23%	13
4.	IDEA	4.88	12.63%	8
5.	BPL	2.50	6.46%	4
6.	Aircel	1.69	4.36%	2
7.	Spice	1.50	3.88%	2
8.	Reliance	1.05	2.72%	7
9.	MTNL	0.69	1.78%	2

1. GSM India 2005

A GSM India Conference was held on 18th-19th January 2005, at GOA. Mr. TV Ramachandran, Director General, COAI made a presentation on "Growth Through Competition- A Partnership Perspective For Indian Cellular". In the presentation he mentioned that India has an enormous mobile potential and it could be achieved through competition in many ways including-

1. Infrastructure Sharing
2. Roaming Agreements
3. Joint Planning for Interconnection
4. Cooperative Fraud Management
5. Corporate Social Responsibility
6. Self Regulation for the Industry

He also opined that joint efforts would be required to enhance the maximization of consumer benefits.

A copy of the above Presentation at the Conference can be obtained on request from the Secretariat.

2. TRAI's Recommendations on Unified Licensing Regime

On January 13, 2005 TRAI issued its final recommendations on Unified Licensing Regime (ULR). The highlights of the recommendations as also the key additions / amendments vis-à-vis the draft recommendations were as below:

1. Broadcasting introduced a separate standalone category. Except for broadcasting, the hierarchical framework continues - i.e. Authorization, Class License & Unified License. However, a unified license also includes the right to offer broadcasting services.
2. Services such as voice mail, audiotex, videotex, etc which earlier did not require any license to come under the Authorization category.
3. New licensees have the option to take licenses as per the old service-specific / Unified Access Service (UAS) licensing regime for two years after implementation of ULR. After 2 years all new licenses will be as per ULR. Migration to ULR will be compulsory only after 5 years.
4. Whilst in the draft recommendations, Niche operators could offer fixed and multi-media services, in final recommendations they are being additionally allowed Internet Telephony and

other IP enabled services. TRAI has also indicated that probably the spectrum charges for Niche Operators would be Nil.

5. TRAI has clarified that there will be no Financial Bank Guarantee (FBG), as in the UAS license, there was a penalty of Rs. 50 crores for non-compliance to license terms & conditions and it was proposed that this clause should also be incorporated in the ULR license.
6. Registration Charges retained at Rs. 107 crores for National Long Distance (NLD) & International long Distance (ILD) rights and Rs. 80 crores approx for the access rights. NLD &ILD charges to be reduced non-linearly to Rs. 30 lakhs after 5 years. Access rights to be imposed on a service-area basis.
7. Revenue share license fee to be 6% of Adjusted Gross Revenues (AGR) (1% for costs of administration, etc and 5% USO contribution). Licensees who do not migrate to the new regime would not be entitled to the lower license fee revenue share.
8. However NLD rollout obligations to be waived whether or not they migrated to the new regime. Existing ILD rollout obligations to continue.
9. Recommendations retain the anomaly that under ULR, annual spectrum charges would be on the basis of AGR from access services (COAI had submitted that these should be imposed only on revenues from wireless services otherwise it would disincentivise provision of fixed services).
10. Revenues from services under Authorization to be deducted from AGR for calculating license fee revenue share.
11. For broadcasting services prescribed terms to be applicable.
12. For Circle CMSPs who got the 2% waiver for 4 years, it is suggested that these operators pay 5% (USO contribution only) for the next 6 years.
13. Reiterates that AGR should only include revenues from telecom services. Recommends that revised AGR definition to apply to all – existing & new licensees.
14. -Migration to ULR need not necessarily mean migration to the unified license category – it could also be migration to a Class License, or an Authorization category.
15. With regard to migration of Group companies, TRAI has clarified that if a company owns substantial equity (10% or more) in one or more companies, then all such companies will require a single unified license & if any such company is already an NLD & ILD operator, then they would not be required to pay Rs. 107 crores, but only the access charges for the additional circles in which it wants to offer access.
16. Unified license would be valid for 20-years from date of signing of license agreement.
17. With regard to the concern that there could be large scale violations as restricted Internet telephony was permissible through an Authorization while full-fledged Internet Telephony would require a unified license, TRAI stated that inward dialing was required to offer

unrestricted Internet telephony & thus it could be offered by ISPs alone. And further that violators would be dealt with under the Act.

3. Installation of Mobile Jammers In Central Jails/ Prisons

COAI made a submission to Wireless Planning and Co-ordination Wing (WPC) on the subject vide Letter No. TVR/COAI/011 dated **January 13, 2005**. The submission pointed out that illegal activities from prisons through illegal mobiles could have larger repercussions on society and thus there was a requirement to stop these activities.

It was opined that the jammers installed in the central prison should be properly configured, filters of standard quality should be used and the power of the jammers should be controlled in such a manner that it did not affect the adjacent localities. Further that the jammers needed to take care of both 900MHz and 1800MHz bands in GSM and 850MHz in CDMA so that jamming could be very effective. The jammers would also need to disable pagers, radio trunking, etc.

In the light of the above, it was therefore imperative that the Jail Authorities coordinated the installation and commissioning of the jammers under the supervision of an expert body like WPC and also took the help of the Service Providers.

4. COAI Annual General Meeting

The COAI Annual General meeting was held on **January 12, 2005**. COAI members unanimously elected Mr. Anil Nayar, Corporate Director, Bharti Televentures, as the Chairman for the next twelve months. Mr. Anil Nayar took over from Mr. Dilip Modi. Mr. Vikram Mehmi, CEO, Idea Cellular was unanimously elected Vice Chairman of the Association for 2005. The COAI members expressed their deep appreciation for the excellent leadership provided by Mr. Dilip Modi, especially in the amicable resolution of the contentious WLL Limited Mobility dispute.

At the AGM, COAI also elected its new Executive Council team for 2005. The Executive Council Members of COAI for 2005 include Mr. K V P Baskar, Aircel Ltd, Mr. Narender Gupta, Bharti; Mr. D B Sehgal, BPL; Mr. Naresh Gupta, Hutch; Mr. R.C. Rastogi, Idea; Mr. S P Shukla, Reliance and Mr. Umang Das, Spice.

The COAI also released its Annual Report for the Year 2003-04, providing overview of the Industry & other details.

The detailed Report can be viewed at the COAI website at www.coai.com

5. National Inter Operator Roaming

In its Letter No. TVR/COAI/006 dated January 7, 2005 to DoT, COAI pointed out that the strongest Unique Selling Proposition (USP) of GSM was the feature of Automatic Roaming and if inter-operator roaming was not available between the pan India operators and the other operators, it would adversely impact around 27 million consumers of the private operators who would be denied the benefits of roaming when they travel to areas where the home service provider was not present. It was submitted that this scenario would be detrimental to consumer interest as well as against the government policy of liberalization and open competition.

COAI also drew the attention of DoT to the case of **Brazil**, where the **Regulator, ANATEL** had mandated that roaming agreements must provide non-discriminatory treatment within a fair, competitive environment. It was also pointed out that in many western countries, in order to safeguard consumer interest, the Licensor/ or Regulator required the incumbent 2G licensees to offer National roaming to new 3G licensees who would take time to achieve nationwide coverage. In the light of the above, COAI urged the Government to consider incorporating a clause into the license agreements that would mandate inter-operator roaming in line with global practices and in the interest of Nation as well as the consumers. It was submitted that this would be a win-win situation as the pan India operators would get an opportunity to generate additional revenues and the stand-alone operators could extend their coverage area so as to offer seamless connectivity to their consumers.

6. TRAI Notification on ADC Regime

On **January 6, 2005** TRAI announced a new Access Deficit Charge (ADC) Regime. The highlights of this new regime are as below: -

1. Total ADC amount kept unchanged, at Rs 5340 crores.
2. Methodology of imposing ADC on a per basis minute kept unchanged.

3. New Regime only a simple mathematical exercise i.e. due to increase in the number of minutes of use, ADC/ minute reduced:
 - To a uniform 30p/ minute for all inter-circle calls.
 - From Rs 4.25/ minute to Rs 2.50/ minute for outgoing ILD calls.
 - From Rs 4.25/ minute to Rs 3.25/ minute for incoming ILD calls.
4. BSNL alone to receive ADC on all incoming international calls and outgoing calls from Mobile/WLL(M).
5. Private fixed operators and MTNL to be allowed to retain ADC on outgoing calls, but not allowed to receive ADC on incoming calls.
6. New Regime in the nature of an Interim Review.
7. Introduction of Revenue Share regime to be considered at a later date.
8. Present regime would be reviewed after 3-6 months without any further consultation.

COAI is of the view that the present consultation was an excellent opportunity to put in place a simple, transparent and effective and enforceable ADC regime, as had also been envisaged in the Consultation Paper. However, despite strong presentations by the industry including BSNL on the deficiencies and anomalies in the present system, it was disappointing that these issues had not been addressed. Bulk of the benefits of the reviewed ADC regime have been given to foreign carriers and the ILD operators who neither need nor deserve this benefit. The Indian consumers have been deprived of any significant benefits. It was also apprehended that the new regime would not discourage the grey market activities in international long distance calls, as reducing the ADC from the present Rs. 4.25 per minute to Rs. 3.25 per minute would only somewhat reduce the size of the incentive or arbitrage opportunity.

7. CDMA Demand for US PCS 1900 MHz Band

COAI vide its Letter No. TVR/COAI/003 dated **January 4, 2005** to DoT drew the attention of DoT to the conflicting stand being taken by the CDMA operators on the issue of 1800 MHz spectrum. It was pointed out that AUSPI and the CDMA operators who had been lobbying for allocation of spectrum as per the US PCS band plan on the grounds that the 1800MHz band allocated to them under UAS license was not appropriate, had earlier, in March 2001 demanded that this band be reserved for their exclusive use. COAI drew the attention of DoT to the submission made by ABTO (now AUSPI) on March 16, 2001, in which they not only recognized that the 1800 MHz band was earmarked by NFAP-2000 to be utilized for cellular and WLL services, but also recommended that the entire band of 1710-1785MHz be reserved for Basic Service Operators. COAI also pointed out that this submission was made by ABTO (now AUSPI) after WLL mobility was permitted and the

basic operators were using both MSCs as well as mobile handsets to offer their services with full mobility including roaming.

8. WPC Subscriber Linked Spectrum Policy for CDMA Operators

COAI, vide its Letter No. TVR/COAI/180 dated **December 23, 2004**, to TRAI submitted that based on the WPC Order dated 10th December 2004, laying down the subscriber linked spectrum allocation guidelines for CDMA operators, it was evident that the subscriber figures of the CDMA operators did not justify their demand for additional spectrum.

In the light of the above, COAI further submitted to the Authority to consider no change in the current NFAP Policy for 3G spectrum and retain the technology neutral band like the IMT-2000 WARC-92 identified band (1920-1980MHz paired with 2110-2170MHz) for all the mobile operators (GSM as well as CDMA) to ensure adequate spectrum to all the players to commence 3G services and co-exist without any problems of interference and without any requirement of guard bands.

9. TRAI's 33rd Amendment to Telecommunication Tariff Order (TTO) 1999

COAI vide its Letter No. TVR/COAI/178 dated **December 24, 2004**, to TRAI on its Telecommunications Tariff Order (TTO) (33rd Amendment) sought the confirmation of TRAI that:

- All inter circle calls were Off-Net calls even if they went through an NLD operation owned by the same company and even if they terminated on a Network in the other circle which was owned by the same company. This was because all these licenses were discrete and separate in the current Licensing Regime.
- Even within the same circle, a call from a mobile network to a fixed network or vice versa was an Off-Net call even if both these networks were owned by the same company having UASL license. This was because TRAI had itself stated that under unified licensing, it was the License and not the service that was being unified. Further that, under accounting separation, all service providers were required to maintain service-specific accounts.

COAI also noted that TRAI in its TTO 33rd Amendment had stated that tariffs in the nature of a Vertical Price Squeeze would not be permitted. In this context, it was submitted that the industry would conduct a self-check to ensure that the above guidelines were complied with. COAI further sought the intervention of the Authority in respect of any tariffs that were not in compliance with the above guidelines