

# COAI Bulletin

## January 2007

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**January 31**, The All India GSM subscriber base grew from **105.4 million in December 2006 to 110.5 million in January 2007**, recording an addition of **over 5 million** during the month under review. There was an overall **growth of 4.8%** over the previous month.

Amongst all circles, Category C circles continued to witness the highest rate of growth at 5.9%, followed by Category B circles at 5.4% and Category A circles at 4.9%. In the Metros, Mumbai lead the growth at 3.8%. A summary picture of the company wise performance is given below:

Company	Circles	Subscribers (Million)		Market Share (%)	
		Dec	Jan	Dec	Jan
Bharti	23	31.9	33.7	30.3	30.5
BSNL	21	23.6	24.4	22.4	22.1
Hutch	16	23.3	24.4	22.1	22.1
IDEA	11	12.4	13.0	11.8	11.8
Aircel	9	4.5	4.8	4.2	4.3
Reliance	8	3.6	3.8	3.4	3.5
Spice	2	2.4	2.5	2.3	2.3
MTNL	2	2.4	2.4	2.3	2.2
BPL	1	1.0	1.0	1.0	0.9
<b>TOTAL</b>		<b>105.4</b>	<b>110.0</b>	<b>100.0</b>	<b>100.0</b>

**The total cumulative all India CDMA subscriber base grew from 36.7 million\* in December 2006 to 38.3 million\* in January 2007**, representing a growth of 2.1%\* in the month under review. A summary picture of the company wise performance is given below:

Company	Subscribers (Million)*		Market Share (%)	
	Dec	Jan	Dec	Jan
Reliance	26.3	27.5	59.6	60.0
TATA	14.4	15.0	32.6	32.7
BSNL/MTNL	3.3	3.2	7.4	6.9
HFCL	0.1	0.1	0.2	0.3
Shyam	0.08	0.08	0.2	0.1
<b>TOTAL</b>	<b>44.1</b>	<b>45.8</b>	<b>100.0</b>	<b>100.0</b>

Source: AUSPI & TRAI

\* CDMA Subscriber Numbers include Mobile subscribers as well as WLL (F) subscribers.

**January 31**, TRAI issued a Consultation Paper on "Access Deficit Charge (ADC)". The Paper addressed the review of ADC regime and raised the following specific issues for consultation:

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- a. For the funding of ADC in 2007-08, whether the Authority should maintain the present reduction trend in ADC amount.
- b. Mechanism of contribution to ADC.

The Authority has also proposed the following options for funding/ collection of ADC:

- i. Move to a revenue share regime if the incidence of burden can be ensured on International Calls.
- ii. Per Minute basis from ILD incoming and outgoing calls and percentage of revenue share (same as existing Scheme) though at reduced scale.
- iii. Per Minute basis from ILD incoming calls only and percentage revenue share on the AGR of all telecom service providers.
- iv. Recovery of Complete amount of ADC from ILD Incoming calls on per minute basis only and no ADC from percentage revenue share.
- v. Recovery of complete amount of ADC from ILD Incoming and out going calls on per minute basis and no ADC from percentage revenue share.

TRAI has sought comments from all the stakeholders before February 26, 2007.

A copy of the Consultation Paper is available at <http://www.traai.gov.in/traai/upload/ConsultationPapers/106/cpaper31jan07no3.pdf>

**January 24, TRAI vide its Telecommunication Tariff (44<sup>th</sup> Amendment) Order (1 of 2007)**, reduced the tariffs for national roaming for cellular mobile subscribers, prepaid and postpaid for both GSM as well as CDMA services. The salient features of the tariff order were:

- i. No rental permitted for roaming in any form
- ii. No surcharge leviable for any of the national roaming services.
- iii. No separate PSTN charges on roaming calls.
- iv. Maximum permissible per minute charges for roaming calls, irrespective of the terminating networks, and irrespective of tariff plans would be:
  - Rs. 1.40 for outgoing local calls

- Rs. 2.40 for outgoing NLD calls
  - Rs. 1.75 for incoming calls
- v. Receiving SMS to be free while roaming.
  - vi. Charges for outgoing SMS while roaming would continue to be under forbearance.

A copy of the Telecommunication Tariff Order is available at:

[http://www.traai.gov.in/traai/upload/TariffOrders/61/to\\_rder24jan07.pdf](http://www.traai.gov.in/traai/upload/TariffOrders/61/to_rder24jan07.pdf)

**COAI expressed deep distress and disappointment at the unwarranted sharp reduction in roaming tariffs notified by TRAI** and stated that adverse financial impact of this on the industry was expected to be to the tune of Rs. 800-900 crores.

It was also apprehended that this drastic reduction in roaming tariffs coupled with the recent sharp hike in the usage charges for microwave and backbone access spectrum, would squeeze the free cash flows of the industry making it difficult for them to fund network expansion and meet national telecom targets.

**January 23, COAI, vide its Letter No. TVR/COAI/012 to TRAI submitted its response to TRAI's Consultation Paper on Measures to Enhance Competition in Domestic Leased Circuits (DLC) Market in India.** COAI stated that effective support of the incumbent operator was essential to ensure competition, utilization of infrastructure and reduction in costs of service providers in order to deliver benefits to end consumers. COAI's key submissions were as follows:

- a. Operators with SMP should be mandated to provide Local Lead for DLC and also DLC for engineering CUG networks.
- b. Prime service provider should be made responsible for security issues in case of usage of resources from multiple service providers in a CUG network. An inter-operator SLA would be necessary in such cases.  
DLCs required for establishing interconnection between networks of various telecom operators could be considered as an interconnection

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- element and included in the RIO.
- c. The leased circuits required by corporate or other individual end users for their private networks do not constitute an interconnection element and hence cannot be included in the RIO, which is an agreement between service providers.
  - d. Minimum period of hire of the leased circuit may be prescribed as 1 year.

*A copy of the detailed submissions can be obtained on request from the Secretariat.*

**A two-day GSM>3G India 2007 Conference was held on January 22<sup>nd</sup> – 23<sup>rd</sup> at Mumbai. Mr. T.V. Ramachandran, Director General, COAI made a presentation on “New Developments in Indian Cellular Market”. In his presentation he dealt with the milestones achieved by the Indian**

GSM Industry in 2006 and the initiatives taken by the operators to facilitate growth. He also opined that the burgeoning VAS market would contribute significantly to the total revenues in the coming years.

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

**January 19, COAI, vide its Letter No. TVR/COAI/011 to TRAI submitted its response to TRAI’s Consultation Paper on Resale in International Private Leased Circuits (IPLC) Segment.** COAI’s key submissions were as follows:

- a. Any entity or company desirous of reselling international bandwidth to corporate/individual customers for their dedicated requirement and who has obtained the licence/registration from the competent authority could be termed as a “Reseller”.
- b. The scope of resale in the IPLC market in India may include:
  - Access to Cable Landing Stations (CLS) for purchase of wholesale bandwidth from international carriers/ILDOS
  - Extension of this bandwidth to any location for their customers in India

through leased lines provided by NLDOS/Access providers.

- Provision of own infrastructure like billing system, multiplexing equipment monitoring facilities.
- c. The entry and regulatory conditions for the Resellers should be simple so as to attract adequate number of players into this segment.
  - d. The FDI norms, security conditions and License Fee for resellers should be same as for ILD licence. However, the entry fee should be lower than for a full-fledged ILD licence.
  - e. There should be no roll out obligations prescribed for the Resellers.
  - f. Access to the end customer should continue to be allowed only through the Access Providers.

*A copy of the detailed submissions can be obtained on request from the Secretariat.*

**January 16, COAI vide its Letter No. TVR/COAI/008 to TRAI made a submission on Financial Incentives for Infrastructure Sharing.** COAI stated that infrastructure sharing between cellular operators was crucial for the achievement of national telecom objectives. It was important to encourage Independent Infrastructure Service providers and ensure that the services provided by them should be cost effective and financially attractive.

COAI also listed down the financial proposals, which would work as an incentive for infrastructure sharing as follows:

- a. **Fixed incentive:** A fixed amount per tower could be given to service providers, who opt for sharing of infrastructure, especially in the urban and semi-urban areas. This could be adjusted against the license fee payment due every quarter and be arrived at through mutual consultation/draft guidelines after consultation with all telecom operators as well as IP-I Service Providers.

**Exclusion from AGR of income from sharing of infrastructure:** The income earned by Cellular Mobile Service Providers (CMSPs) from sharing of infrastructure should not be included in Adjusted Gross Revenue (AGR).

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- b. **Income Tax initiatives:** Tax benefits available to access service providers should be extended to Independent Infrastructure service providers. In this regard, the following were proposed:
- Extend Income Tax benefits under section 80-IA to independent infrastructure service providers.
  - Grant Infrastructure status under Section 10-23(G) to developers of Telecom infrastructure as a separate entry under section 80-I A (4).
- c. **Incentives by Civic Authorities:** Uniform policy guidelines should be in place for installation of cell sites for across India. Stamp duties and other levies such as permission fee etc., should be waived off in case the site was set up by independent infrastructure service provider for sharing by multiple access service providers.

*A copy of the detailed submissions can be obtained on request from the Secretariat.*

**January 16, COAI and AUSPI jointly through the forum of ACT vide Letter dated January 16, 2007 to DoT submitted** that Government initiative on the issue of setting up of cell sites near international borders was essential.

In this regard, ACT stated that under the License requirements:

- Radio signals should become unusable within reasonable distance across borders
- Radio transmitters should be located at a distance of 10 kms from international borders

ACT opined that that the distance of 10 kms was only an indicative benchmark as long as signals faded out nearing borders. Thus, as long as signals fade & become unusable, there would be no violation of License terms. ACT further stated that technologies like Time Advance Restriction, Round Trip Delay, RF Optimisation, etc. were readily available and they ensured that radio signals fade out after travelling certain distance and a practical demonstration has already been given to DoT by some of the member operators. Deployment of

these techniques would help citizens staying near borders to avail benefits of connectivity.

ACT noted that it was evident from certain media reports that the Government was considering reduction of indicative benchmark of 10 kms to 550 mts – 1.1 kms.

In this regard, ACT submitted that as long as the signals faded out when nearing or about to cross international border and also became unusable within a reasonable distance across such border, the same was in full compliance with the terms and conditions of the License and hence there was no violation.

**January 16, TRAI released Financial Data pertaining to Gross Revenue, Adjusted Gross Revenue, License Fee and Spectrum Charges** of all the telecom service providers for the quarter ending September 2006, with a view to provide better understanding of the telecom sector to various stakeholders and for protecting the interest of the consumer and promotion of orderly growth of the sector.

A copy of the detailed Financial Data is available at: [http://www.traai.gov.in/traai/upload/PressReleases/421/AGR\\_TRAI.pdf](http://www.traai.gov.in/traai/upload/PressReleases/421/AGR_TRAI.pdf)

**January 15, At a Seminar organized by COAI in New Delhi, the Indian GSM industry announced the launch of its Mobile Instant Messaging (MIM) initiative.** COAI announced that Fastmobile + Jataayu Software together would deliver / provide the MIM solution to the Indian operators and that the project would be showcased at 3GSM World Congress in Barcelona in February 2007.

**Mr. D.S. Mathur, Secretary DoT and Chairman Telecom Commission** presided over the launch and delivered the key note address. Mr. Mathur congratulated the GSM industry on its latest achievement and said that it was a matter of great pride that due to the concerted efforts of the Indian GSM operators, the vision of Mobile Instant Messaging had been turned into reality and Indian mobile users would be the first to enjoy the fully interoperable service of Mobile Instant Messaging.

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**January 15, At the Annual General Meeting of the COAI, Mr. Sanjeev Aga and Mr. Naresh Gupta were unanimously re-elected as Chairman and Vice Chairman respectively for the year 2007.**

At the AGM, COAI also elected its **Executive Council team for 2007**. The Executive Council Members of COAI for 2007 are Mr. Jagdish Kini, CEO Aircel Ltd; Mr. Narendra Gupta, Director Legal & Regulatory Affairs, Bharti Airtel Ltd; Mr. D.B. Sehgal, Advisor – Corporate Affairs, BPL Mobile Communications Ltd; Mr. Sundeep Kathuria, Vice President- Legal & Regulatory Affairs, Hutchison Essar Mobile Services Ltd; Mr. Rajat Mukarji, Chief Corporate Affairs, Idea Cellular Ltd; Mr. Umang Das, Managing Director Spice Communications Pvt. Ltd. and Mr. S.P. Shukla, President Reliance Telecom Ltd.

COAI expanded its membership to include Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL) as Associate Members of the Association. A lot of infrastructure providers were also invited to join as Associate Members of the Association. These are ACME, GTL Infrastructure Limited, Quipo Telecom Infrastructure Limited, Telecom Tower and Infrastructure Private limited, Tower Vision India Private Limited and Xcel Telecom.

At the event, COAI also released its Annual Report for the Year 2006.

*The detailed Report can be viewed at the COAI website at [www.coai.in](http://www.coai.in)*

**January 12, COAI vide its letter No. TVR/COAI/006 to the Wireless Adviser, made submissions on some key issues related to spectrum.** In its submission COAI expressed concern on:

a. The unexpected demands raised on the industry in June 2006 seeking interest on delayed WPC payments pertaining to the period 1.8.1999 to 31.12.2001. It was submitted that no such interest was payable under license and also that the inordinate delay in raising the demand had resulted in the alleged interest component increasing exponentially to become an irrationally high

figure. It was pointed out that the Government had given ‘No Dues Payable’ certificates to various operators at several junctures and thus the licensees were completely unaware that there were any dues payable to WPC. The component of penalty being imposed by the Government was also strongly contested as the same was not applicable to WPC charges.

- b. The sharp and unjustified increase in the Microwave Access and Microwave Backbone charges notified vide the WPC Order of November 3, 2006, which would adversely impact the industry to the tune of around Rs. 500 crores per annum. It was suggested that there should be a flat composite charge based on Revenues or alternatively if an escalating charge approach was considered necessary to ensure efficient use, the same could be applied within the earlier ceiling of 0.65/0.35% applied to circles and Metros respectively. It was submitted that efforts should be made to discuss and rationalize the charges downwards to a flat percentage even whilst ensuring efficient use of the spectrum. Government could consider setting up a committee to go into this issue and come out with suitable recommendations in a time bound manner. In the meantime, the WPC Order of November 3, 2006 be held in abeyance.
- c. The principle of technology neutrality was being violated with GSM having to pay a higher revenue share percentage than CDMA for the same revenue base. As the usage charges were fixed based on a share of the revenues of the operators, the same revenues could not attract different rates in different hands. The concept of an escalating usage charge may have been warranted in earlier years to ensure optimal and efficient utilization of spectrum but was no longer necessary with the introduction of the VLR concept from March 29, 2006. the escalating charge approach not only results in a double taxation of the operators but also creates anomalies such as:
- City-wise spectrum allotments and circle wise charging on revenues
  - Disparity / discriminatory treatment between GSM and CDMA operators

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A flat uniform spectrum usage charge would address all the above concerns and even at a capped 2% of Adjusted Gross Revenues, would fetch the Government increasingly greater revenues which estimated at around Rs. 14,000 crores over the next five years.

**January 12, TRAI issued Draft Amendment in the Regulations on Port charges for stakeholders' comments.** The proposed amendment in these Regulations reduced the existing Port charges by about 23% to 29% for various slabs. It also mandated interconnection seekers to place their demand for the required number of Ports, on every Point of Interconnection (POI) on the basis of traffic projection, on an annual basis.

TRAI had sought for stakeholder's comments by January 22, 2007.

A Copy of the Amendment in the Regulations is available at:

<http://www.trai.gov.in/trai/upload/PressReleases/418/Draft12jan07.pdf>

**COAI and AUSPI jointly through the forum of ACT vide Letter dated January 22, 2007 to TRAI submitted** that there was ample justification for 80% reduction in port charges and the Authority was requested to revisit the issue. ACT's submissions on specific aspects of the Draft Regulation were as follows:

- a. Cost of 7 years old ports were already recovered as per TRAI's own calculations so no further payments should be applicable at least for such ports and therefore, the sunset clause should apply to these ports immediately.
- b. Even if TRAI's costing was considered, the first price slab should not exceed Rs. 31,200 and corresponding adjustments were required for other slabs.
- c. No charges should be payable for ports which were more than 7 years old and after issue of regulation no charges for ports of more than 10 years.
- d. TRAI must undertake a regular review of port charges, at least once a year, to account for any reduction in the cost of equipment.

*A copy of the detailed submissions can be obtained on request from the Secretariat.*

**January 10, COAI and AUSPI jointly through the forum of ACT vide Letter dated January 10, 2007 to DoT submitted** that the provision of requiring a PAN number for taking up a mobile connection, may be reviewed and deleted from Rule 114 (B) of the Income Tax Rules.

ACT stated that mobile services had become highly affordable and were increasingly being used by the common man. Even, acquiring a cellular mobile phone was long back removed from the one in six criteria for filing an income Tax return. Moreover, Income Tax Rule 114 (B) required PAN / GIR Number in case of :

- sale or purchase of immovable property valued at Rs. 5 lakh or more
- sale or purchase of a motor vehicle
- a time deposit exceeding Rs. 50,000 in a banking company
- a time deposit exceeding Rs. 50,000 in any account with a Post Office Savings Bank
- a contract of a value exceeding Rs. 1 lakhs for sale or purchase of securities
- payment to hotels & restaurants for an amount exceeding Rs. 25,000 at any one time
- payment in cash in connection with travel to any foreign country of an amount exceeding Rs. 25,000 at any one time, etc.

Thus, ACT submitted that with an ARPU of ~ Rs. 300/month, PAN number for installation of a telephone connection (including a cellular telephone) clearly out of place in above list and hence should be deleted from Rule 114 (B) of the Income Tax Rules.

**January 3, TRAI issued a Directive to all Access Providers, instructing them to comply with the DoT's guidelines issued recently for allocation of short codes by the access providers to the content providers including SMS based services.** TRAI sought compliance of the DoT guidelines from all the access providers as and when implemented but not later than 31st May 2007.

A copy of the Directive is available at:

<http://www.trai.gov.in/trai/upload/Directives/99/direction4jan07.pdf>

