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## 1. Subscriber Numbers for June 2006

### A. GSM Subscribers

The All India GSM subscriber base grew from 75.3 million in May 2006 to **78.5 million in June 2006** – recording an addition of **3.2 million** during the month under review. There was an overall **growth of 4.24%** over the previous month.

Among all circles, Category C circles continued to witness the highest rate of growth at 5.8%, followed by Category B circles at 4.7% and Category A circles at 4.4%. In the metros, Kolkata lead the growth at 3.6% followed by Chennai, which witnessed a rise of 3.2%.

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

SI No.	Company	No of Subscribers (In Mn)		% Market Share		Service Areas
		May'06	June'06	May'06	June'06	
1.	Bharti	21.86	23.07	29.0%	29.4%	23
2.	BSNL	18.00	18.29	23.9%	23.3%	21
3.	Hutch	16.77	17.54	22.3%	22.4%	16
4.	IDEA	8.06	8.54	10.7%	10.9%	11
5.	Aircel	3.02	3.19	4.0%	4.1%	7
6.	Reliance	2.16	2.32	2.9%	3.0%	8
7.	Spice	2.03	2.05	2.7%	2.6%	2
8.	MTNL	2.10	2.17	2.8%	2.8%	2
9.	BPL	1.29	1.30	1.7%	1.7%	1
	<b>TOTAL</b>	<b>75.29</b>	<b>78.48</b>	<b>100.0%</b>	<b>100.0%</b>	

The details of CDMA (digital mobile) are dealt with in the next section.

### B. CDMA Mobile Subscribers

The total cumulative all India CDMA subscriber base rose by 1.6 million\* from **25.32 million\*** in May 2006 to **26.92 million\*** in June 2006, representing a growth of 6.3%\* in the month under review. A summary picture of the company wise performance is given below:

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

SI No.	Company	No of Subscribers (In Mn)		% Market Share		Service Areas
		May'06	June'06	May'06	June'06	
1.	Reliance*	19.33	20.21	76.3%	74.5%	20
3.	TATA	5.90	6.62	23.3%	24.6%	20

5.	HFCL	0.06	0.06	0.2%	0.2%	1
6.	Shyam	0.03	0.03	0.1%	0.1%	1
	<b>TOTAL</b>	<b>25.32</b>	<b>26.92</b>	<b>100.0%</b>	<b>100.0%</b>	

Source: AUSPI

\* Reliance Subscriber numbers also include WLL (F) numbers.

## 2. Inauguration Of Flagship Shared Cellular Sites In Delhi

On **July 5, 2006**, COAI organized a function in New Delhi to celebrate the inauguration of the flagship shared sites set up under the aegis of **Project "MOST"- Mobile Operators Shared Towers**, which was initiated by the industry in March 2006 at the behest of the Minister in order to avail of the rich benefits of infrastructure sharing.

Hon'ble Minister of Communications, **Thiru Dayanidhi Maran** and Hon'ble Minister for Urban Development **Shri Jaipal Reddy** were Chief Guests at the Inauguration.

The sites inaugurated at the event were:

- High Court Site:** Two Roof Top Towers (RTTs) with three operators sharing each tower (1<sup>st</sup> Tower – 3GSM, 2<sup>nd</sup> Tower – 1 GSM & 2 CDMA).
- Rajokri Site:** A Ground Based Tower (GBT) shared by four operators (3 GSM & 1CDMA).
- Dhandsa Site:** A Ground Based Tower (GBT) shared by six operators (4 GSM & 2 CDMA). This is being done for the first time in the world).
- Noida, Sector 125 Site:** A Ground Based Tower (GBT) shared by seven operators (4 GSM & 3 CDMA). This was also a world record. The site is under construction.

**Mr. TV Ramachandran** Director General, COAI gave a detailed presentation on the benefits of infrastructure sharing and the challenges addressed by the project team to set up the flagship sites at a record pace.

Going forward, the industry, under the Project "MOST" initiative, expects to be sharing as many 1800 sites in Delhi by 2007. Further, the Project team has already commenced efforts to rollout shared sites in other parts of the country.

## 3. Review of Circulars, Instructions and Clarifications of Issues relating to Service Tax

In response to the Letter from Ministry of Finance, Letter No. F. No. 354/ 70/ 2006 dated June 13, 2006, COAI, vide its Letter No. TVR/COAI/137 dated **July 3, 2006** made the following submissions:

- a. **Service Tax on IUC** – Since Interconnect Usage Charges were different from Interconnection Link Charges, a clarification should be issued stating that Interconnect Usage Charges (IUC) were not chargeable to Service Tax, to clarify the ambiguity and avoid any disputes / litigation which might arise in the future.
- b. **Service Tax on Import of Services** – Since, as per the Service Tax credit rule, amount of Service Tax deposited on behalf of foreign company could be setoff against the output Service Tax liability, a clarification should be issued to do away with the requirement of registration of foreign company in India.
- c. **Excise Duty CENVAT rule in respect of Cable / Shelter and Towers** – Premises for telecom operators should be clearly defined so as to include the licensed service area in terms of the allotted telecom licenses to remove administrative problems.
- d. **Input Credit on Service Tax** – The limit on CENVAT claim for input services should be enhanced from 20% to 100% as in the case of import of Capital goods.
- e. **Exemption Of Registration of our Channel Partners For Service Tax** – Distributors and Channel partners of telecom companies should be exempted from registration for Service Tax to avoid unnecessary complicated procedures.
- f. **Service Tax On International In-roamers** – Service Tax should not be applicable on revenues from in-roaming as this leads to higher tariffs for this service. These higher tariffs could have an adverse impact on usage of service, which in turn would have a negative impact on foreign exchange revenues from international in-roamers.
- g. **Applicability of Service Tax Notifications/ Circulars** – Service Tax circulars and notifications issued from time to time by the Department should be applicable prospectively from the next billing cycle i.e., the change in tax rate should be **applicable from the 1<sup>st</sup> invoice after the notification** date, even if the services were rendered prior to the date of notification.

#### **4. COAI's Response to TRAI's Consultation Paper on Interconnect Usage Charge for SMS**

COAI, vide its Letter No. TVR/COAI/135 Dated **June 30, 2006** to TRAI made the following submission on various issues related to Interconnect Usage Charge for SMS:

- a. The Authority should continue to forbear in the matter of IUC charges for SMS.
- b. Service providers should work out mutual arrangements for usage charges for exchange of SMS, if they so desire.
- c. The issues of Premium Rate Services and bidding/ lottery type services are not directly relevant for the present Consultation.

#### **5. COAI's Response to TRAI's Consultation Paper on Admissibility of Revenue Share between Visiting Network and terminating Network for Roaming Calls**

COAI, vide its Letter No. TVR/COAI/133 made the following submissions on various issues related to Admissibility of Revenue Share Between Visiting Network and Terminating Network for Roaming Calls-

- a. IUC Regime introduced by TRAI determined IUC Charges on the basis of costs involved in Carriage/ Termination of a call. Thus, now the Authority could not follow both a cost based as well as revenue shared based approach simultaneously.
- b. The terminating network had no additional role to play in the case of calls made by roaming subscriber.
- c. The charges/tariffs for roaming calls were in consonance with the Authority's order and thus could not be used as a reason or justification to allow revenue share on roaming calls.

In light of the above, it was submitted that revenue sharing should not be permissible on roaming calls.

#### **6. Waiver of Rollout Obligations & Performance Bank Guarantees for CMSPs/UASLs**

COAI, vide its Letter No. TVR/COAI/130 dated **June 30, 2006**, to Hon'ble Minister of Communications & IT, Thiru Dayanidhi Maran, requested for removal of the clause on rollout obligations in the license and consequent waiver of PBG requirements for CMSPs/UASLs.

COAI pointed out that the stipulations in Clause 34.2 of the UAS License on Rollout Obligations were not relevant in present telecom scenario. Moreover, since the Government had waived rollout obligations, first for the fixed service providers and then for the national long distance operators, this waiver should be extended to the cellular segment, as it was the most competitive segment in the industry.

It was also submitted that the Bank Guarantees benefited neither the end-customer nor the

industry nor the Government as they only add to costs which was reflected in the end-user tariffs. The cost structure should be rationalized to provide affordable services to the consumers.

In view of the above, COAI requested the Hon'ble MoC for the removal of the Clause on rollout obligations and consequently the waiver of PBG requirements for CMSPs/UASLs.

## **7. COAI Response to TRAI Consultation paper on Allocation and Pricing of Spectrum for 3G Services And Broadband Wireless Access**

COAI in response to TRAI's Consultation Paper dated June 12, 2006 on the above, submitted its response vide its Letter No. TVR/COAI/131 dated **June 30, 2006**. The submissions on various issues were as follows:

### **Spectrum Allocation**

- a. Use of the globally harmonized 2.1GHz band for 3G was important for India as it was the only band which would facilitate co-existence and growth of both the GSM and CDMA standards that are present in India.
- b. The first round of 3G spectrum assignments from the 2GHz Band should be made simultaneously to all existing/interested operators, both GSM and CDMA.
- c. COAI had earlier indicated that 2 x 15 MHz should be reserved for each operator, but with 6-7 operators in every service area, this assignment would be impossible to implement. It was thus submitted that if 3G is considered as a continuum of 2G and allowed to be introduced as an overlay network, a starting assignment of 2X5 MHz per operator would be sufficient.
- d. Spectrum should be allocated once 2X5 MHz is available for all the existing incumbent mobile operators in a given service area.
- e. If adequate spectrum is not likely to be available in 2.1GHz band in the short term for all the incumbent operators, the Authority may like to consider a mixed approach where simultaneous allocation of 2.1GHz and 800MHz is done for GSM and CDMA respectively for their 3G services.
- f. Subscriber linked spectrum allocation /assignment criteria which is applicable to 2G spectrum is the only practicable solution in the current Indian environment.
- g. An existing license can not attract fresh rollout obligations. Further, an imposition of a rollout obligation would defeat the very purpose of the expeditious introduction of 3G.
- h. The use of the 2.6 GHz as an extension band for 3G needed to be guaranteed.

### **Spectrum Pricing**

- a. Pricing policy may give due weightage to criteria such as revenue to the Government,

requirement of funds for refarming and scarcity value of spectrum but maximum weightage must be given to the economic and social benefits that 3G can deliver.

- b. There should not be any one time spectrum charges for allocation of IMT 2000 spectrum for the existing service providers as has already been recommended by TRAI.
- c. Annual usage charges for IMT-2000 spectrum should be recovered on a revenue share basis, as is the case for the present 2G spectrum. However, the current percentage usage charge (for 2G) was far too high it should be brought down and be capped at 2% for 2G and 3% for 2G + 3G and within these overall caps, a stepped approach should continue to be followed.

### **Spectrum for Wireless Broadband Services**

- a. The following spectrum bands, in order of preference, may be considered for use by WiMAX:
  - 3.3 GHz – 3.6 GHz
  - 2.3 GHz – 2.4 GHz
  - 5.725 GHz – 5.85 GHz
  - 5.15 GHz – 5.35 GHz
- b. As per international practices, operators are allocated 3 carriers of 7MHz bandwidth (totaling 21 MHz per operator) for WiMAX applications.
- c. Pricing formula for WiMAX usage should also be applied on a revenue share basis.

## **8. TRAI Study Paper on Financial Analysis of Telecom Industries of India and China**

On **June 27, 2006**, TRAI issued a Study Paper on “Financial Analysis of Telecom Industries of India and China” as an extension of comparative study done in 2005. The Study Paper is aimed at facilitating comparison of performance indicators between two fastest growing telecom markets, helping draw strategies for new investment and expansion of telecom networks, tariff and pricing of retail and wholesale services, usage pattern and related capacity requirement, etc.

In the Study Paper, financial/ economic and regulatory indicators in China have been compared with the Indian Telecom sector.

A copy of the detailed Consultation Paper is available at the following link

[http://www.trai.gov.in/trai/upload/StudyPapers/7/Study\\_Paper\\_of\\_China\\_27\\_June\\_2006\\_NEW.pdf](http://www.trai.gov.in/trai/upload/StudyPapers/7/Study_Paper_of_China_27_June_2006_NEW.pdf)

## **9. COAI's Response to TRAI's Consultation Paper on Fixing the Benchmarks pertaining to Quality of Service for Broadband**

COAI, vide its Letter No. TVR/COAI/126 Dated **June 22, 2006** to TRAI, made the following

submission on various issues related to fixing the Benchmarks pertaining to Quality of Service for Broadband:

- a. The network latency within the local network i.e. from the Broadband customer to the IGSP Gateway should be < 120 ms for 90% of the time during busy hours.
- b. The network latency for the International segment should be < 350 ms instead of 300 ms for 90% of the time and <800 ms for satellite based communication during busy hours.
- c. Network Latency / Throughput should be practically observed for a period of one year and the regulation should be decided after another round of discussions.
- d. Change the measurement criteria for the Service Availability from monthly as suggested by TRAI to quarterly basis.
- e. Service Availability / Uptime benchmark should be 90% for all the users up to 31.03.2008.
- f. The packet loss should not be more than 1% with a quarterly reporting period and it should be measured up to NAP only.
- g. The fault restoration should be measured in business hours.
- h. Static IP address allocation is not mandated for providing broadband and therefore should not be a part of the Quality of Service benchmarking criteria.

## **10. Working Group on Telecom Sector – 11<sup>th</sup> Five Year Plan**

COAI, vide its Letter No. TVR/COAI/125 dated **June 21, 2006** submitted its inputs for the 11<sup>th</sup> Five Year Plan. Key submissions by COAI on various issues were as follows:

- a. **Enhancing Rural Coverage; Bridging the Digital Divide** – ADC and USO regimes should **be merged** and affordable access should be achieved through a single transparent system, which is easy to implement and administer. CMSPs too, should be entitled to receive funding from USO for providing coverage in rural areas.
- b. **Lowering of Levies and Duties** – Duties and levies structure of the Indian telecom sector needs to be urgently reviewed to encourage expansion and growth of the sector in order to contribute to the telecom objectives of the Government.
- c. **Enhance Infrastructure Creation** – Government should formulate policies in order to encourage independent infrastructure service providers and make their services cost effective and financially attractive. It should also:
  - Extend Income Tax benefits under section 80-IA to independent infrastructure service

providers.

- Continue with the benefits of Section 10-23(G) and to grant Infrastructure status under Section 10-23(G) to developers of Telecom infrastructure as a separate entry under Section 80-I A (4).
- d. **Enhancing Interconnection Facilities** – Fundamental principles relating to Interconnection in line with those enunciated in WTO should clearly be prescribed in the License Agreement itself. With a view to cut down delays, it may be advisable to clearly specify the maximum period i.e. 90 days for provision of interconnection by the Interconnection provider in the License itself.
- e. **Developing a Robust System for Subscriber Verification** – Essential for the Government to develop and issue of a National Identifier System to provide a unique national identity number to each and every citizen of the country, which could also be used by the industry to connect new subscribers.
- f. **Spectrum** – There should be a clear road map giving a time bound schedule for availability of spectrum to operators upon reaching predefined milestones (subscriber base). Spectrum pricing policy must balance the twin objectives of accessibility and affordability of services to achieve speedy increase in tele-density.
- g. **Introduction of 3G** – Government should ensure that auction route is not followed in order to avoid the repercussions that were seen earlier in 1995. The existing mobile operators are already permitted to offer all types of mobile services including 3G services.
- h. **Nationwide Guidelines for Procedures and Clearances** – Uniform rules and guidelines be developed for the following:
- i. Right of Way
  - ii. Municipal & Civic Clearances
  - iii. Guidelines regarding setting up of Cell sites on sharing basis to provide seamless coverage & service

Various clearances should given in a timely manner so that undue delays do not hold up provision of service leading to increased costs.

- i. **Manufacturing and R&D** – The Government of India and the State Governments could promote manufacturing in the telecom space by providing specific incentives to increase local

manufacturing/procurement. Some of the steps could include;

- i. Status of virtual SEZ for units manufacturing telecom hardware
  - ii. Introduction of tax holiday schemes
  - iii. Longer term Income Tax benefit to encourage investment in R & D
  - iv. There should be incentives for the service providers for buying equipment and handsets from domestic manufacturers.
- j. **Foreign Direct Investment in Telecom to be Encouraged** – Terms and conditions should be conducive so as to encourage the inflow of FDI. And the conditions should be uniformly applicable to all companies irrespective of the level of actual FDI in the company. Foreigners should be permitted in key positions in the licensee company

A detailed copy of the Submission can be obtained from the COAI Secretariat.

#### **11. Request for Issue of Clarification on Customised Software**

COAI, vide its earlier letter to the Ministry of Finance, Letter No. TVR/COAI/073 dated March 23, 2006 had voiced its concern on the Union Budget 2006-07 regarding announcement of imposition of 8% CVD on Packaged or Canned Software while exempting Customized Software from this levy.

Since, there was no action from the Ministry, COAI once again raised its concern vide its Letter No. TVR/COAI/124 dated **June 21, 2006** that telecom software should not be subjected to any additional levy under the Budget as it fulfilled all the criteria for customized software and could not be classified as canned or off the shelf software.