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1. Subscriber Numbers for March 2006

A. GSM Subscribers

The Indian GSM Industry reported a subscriber growth of over **4 million** during the month of March'06 – the **highest subscriber additions** since inception of service. The cumulative All India GSM subscriber base rose to **69.19 million in March 2006** from **65.18 million in February 2006**, a growth of 6.14% for the month under review.

The Metro subscribers grew by 5.36% over the previous month. Kolkata recorded the highest growth at (7%) followed by Chennai (6.69%).

Among all circles, Category C circles continued to witness the highest rate of growth at 11.01%, which is much higher as compared to Metros and A & B circles. Within the Category C circles, the highest growth was recorded by the N.E. Circle (20.76%) followed by Assam Circle (15.38%).

In terms of growth, Category C circles were followed by Category A circles, which recorded a healthy growth of 5.90% over the previous month. Karnataka recorded the highest growth at (7.10%) followed by A.P. at (6.72%).

Category B circles witnessed a growth of 5.68%. Amongst the Category B circles, MP recorded highest growth at (10.51%), followed by West Bengal & A.&N. at (8.91%).

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

SI No.	Company	No of Subscribers (In Mn)		% Market Share		Service Areas
		Feb'06	March'06	Feb'06	March'06	
1.	Bharti	18.45	19.57	28.30%	28.30%	23
2.	BSNL	16.09	17.16	24.64%	24.80%	21
3.	Hutch	14.53	15.36	22.29%	22.20%	16
4.	IDEA	7.01	7.37	10.75%	10.65%	11
5.	Aircel	2.46	2.61	3.78%	3.77%	7
6.	Reliance	1.80	1.90	2.76%	2.75%	8
7.	Spice	1.82	1.93	2.79%	2.79%	2
8.	MTNL	1.72	1.94	2.64%	2.81%	2
9.	BPL	1.34	1.34	2.05%	1.93%	1
	TOTAL	65.19	69.19	100.00%	100.00%	

At the end of FY'06, GSM constituted 77% of the total mobile market in India. In FY'06, 74% of all the new subscribers opted for GSM thus proving GSM to be the choice of the masses.

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 1.26 million from **19.08 million** in February 2006 to **20.35 million** in March 2006, representing a growth of 6.66% in the month under review. A summary picture of the company wise performance is given below:

SI No.	Company	No of Subscribers (In Mn)		% Market Share		Service Areas
		Feb'06	Mach'06	Feb'06	Mach'06	
1.	Reliance	14.623	15.407	76.61%	75.72%	20
3.	TATA	4.374	4.851	22.92%	23.84%	20
5.	HFCL	0.063	0.062	0.33%	0.30%	1
6.	Shyam	0.027	0.027	0.14%	0.13%	1
	TOTAL	19.087	20.348	100.00%	100.00%	

Source: AUSPI

2. Infrastructure Committee by MoC

The Infrastructure Sharing Committee formed by the Hon'ble Minister of Communications & IT, Thiru Dayanidhi Maran met several times to work on project MOST- Mobile Operators' Shared Towers – Initiative. The Committee has identified sites for sharing in Delhi and Government actions are being initiated to facilitate availability of various sites from the concerned Authorities. Techno commercial proposals have been made by Independent Infrastructure Providers (IP-I). The preliminary Report for Delhi has already been issued. The project has also been initiated in Mumbai.

3. Amendment to Accounting Separation Regulation, 2004

Under the existing Accounting Separation regulations, all Service Providers providing any of the nine specified telecom services¹ were required to submit accounting separation reports every year on the basis of historical cost accounting and every second year on the basis of replacement cost accounting.

¹ Basic Telephone Service, NLD, ILD, CMTS, VSAT, Radio Paging Service, PMRTS, GMPCS & Internet Services.

TRAI through a Regulation On **March 27, 2006**, decided that Accounting Separation would be applicable to only those operators having a turnover of/ over Rs. 25 crores.

A copy of the Regulation is available at the following link:

<http://www.trai.gov.in/regulation27mar06.pdf>

4. Withdrawal of Exemptions Under Section 10 (23G) of the Income Tax Act, 1961

The Finance Bill (Budget 2006) has proposed that Section 10(23G) of the Income Tax Act, whereunder the exemption was granted to the infrastructure sector be withdrawn.

In this regard, COAI, vide its Letter No. TVR/COAI/074 dated **March 24, 2006**, to Ministry of Finance, submitted that this exemption was proposed to be removed on account of stabilization of interest rates as well as abolition of Capital Gains Tax for listed companies. In reality the interest rates were hardening and also for most of the infrastructure companies the gestation period was not yet over.

COAI thus submitted that withdrawal of this exemption would raise the cost burden for Service Providers hence, the benefit should be continued.

5. Imposition of 8% CVD on IT Software

In the Union Budget 2006-07, a CVD of 8% has been imposed on Packaged or Canned Software but specifically excluded customized software from the levy. However, despite telecom software fulfilling the criteria of customized software, some custom houses were directing the levy of 8% CVD with 2% surcharge applicable on all telecom software imported for installation on telecom equipment.

In this regards, COAI, vide its Letter No. TVR/COAI/073 dated **March 23, 2006**, to Ministry of Finance, pointed out that as telecom software fulfilled all the criteria for customized software and could not be classified as canned or off the shelf software, it should not be subjected to any additional levy under the Budget.

6. Methodology of Calculation of AGR

COAI vide its Letter Nos. TVR/COAI/075 and TVR/COAI/076 dated **March 22, 2006** to DoT and Hon'ble MoC, Thiru Dayanidhi Maran, drew their attention to the anomaly that existed in the application of the concept of AGR for the purpose of calculation of License Fee.

COAI submitted that the cellular industry followed a 'Composite Tariff Structure' in which the gross revenues of the Service Providers included the costs of License Fee, Spectrum Charges and ADC payments to the Government. It was submitted that as a result of this the AGR, derived from gross revenues, was thus artificially higher and also led to double taxation.

In light of the above, COAI requested the Authorities to correct the existing anomaly.

7. TRAI Regulation on Code of Practice for Metering and Billing Accuracy

On **March 21, 2006**, TRAI issued a Regulation on Code of Practice for Metering and Billing Accuracy in order to bring standardization and transparency in the procedures being followed by various operators. The salient features of the Regulation are as given below:

- a. Before subscription, a subscriber should be provided detailed information relating to the tariff for using that service and should be informed in writing about the complete details of his tariff plan, within a week of activation of service.
- b. The charges for value added services as well as interactive services must be provided to the customer before he commits to use the service.
- c. The services provided to the customer and all subsequent changes therein should be those agreed with him in writing, prior to providing the service or changing its provisions.
- d. Payments made by a post-paid customer should be credited to his account within 3 working days of receipt of the cash/ cheque. For pre-paid customers, top-up credit should be applied to a customer's account within 15 minutes of its application.
- e. Where the service provider unilaterally intends to restrict or cease service to the customer, a notice shall be provided to the customer in advance of such action so that the customer has reasonable time to take preventive action to avoid restriction or cessation of service. The service provider shall have a documented process for identifying, investigating and dealing with billing complaints and creating appropriate records thereof.
- f. The Authority would notify a panel of Agencies capable for auditing the billing system and to certify the Metering and Billing System of service providers by April 30, 2006.
- g. The service providers should arrange audit of their Metering and Billing System in compliance with this regulation on an annual basis through any one of the auditors notified by the Authority and an audit certificate thereof would be furnished to the Authority not later than 30th June of every year.

A copy of the Regulation is available at the following link:

<http://www.trai.gov.in/regu21mar06.pdf>

8. Tariff Plans with Lifetime Validity

A. COAI's Letter

In response to TRAI's Letter No. 301-2/2006-Eco. dated March 10, 2006, on Regulatory Guidelines for Tariff Plans with Lifetime Validity, COAI wrote to the Authority vide its Letter No. TVR/COAI/070 dated **March 20, 2006**. COAI in its submission agreed that operators would:

- Indicate the month and year of expiry of the current license in promotional literatures as well as the website.
- Continue to provide service to the subscribers subscribing to the life time validity schemes during the extended period of the licenses, if renewed beyond the current validity period.

However, COAI pointed that it was practicably not possible to give each and every detail of the scheme in the advertisements in print and visual media like newspapers, magazines, TV, etc.

COAI also submitted that it would not be legally correct on the part of the Authority to mandate that the features of the life time validity tariff package committed at the time of acquiring subscribers to this plan would not be changed for the entire period of the license including the extended period. It was submitted that tariff/charges under any tariff scheme were determined on the basis of the policy and regulatory regime in force and would depend upon the actual cost of providing the service from time to time, which might change over time due to various factors.

COAI also objected to the Authority's proposal to modify the provisions of its TTO (31st Amendment) under which Service Providers were only required to ensure that no tariff item in a plan should be increased at least for a period of six months from the enrolment of the subscriber to that plan. It was submitted that this TTO laid down the basis on which various tariff offerings were designed and introduced by the operators and gave the operators the flexibility to introduce customized tariff offerings to their consumers. COAI thus urged that the Authority to refrain from modifying the TTO (31st Amendment) for the reasons outlined above.

B. The Telecommunication Tariff (Forty Third Amendment) Order, 2006

On **March 21, 2006**, TRAI issued 43rd Amendment to its Telecommunication Tariff Order covering various aspects arising out of tariff plans having longer validity period including lifetime validity. The salient features of the Amendment to the Tariff Order were as follows:

- a. In the case of tariff plans offered or marketed as having lifetime or unlimited validity in lieu of an upfront payment, subscribers should continue to get service as long as the service provider is permitted to provide such telecom service under the current license or renewed license.

- b. The service providers who offer tariff plans with lifetime validity or unlimited validity or life-long validity, etc. should inform the subscribers of the month and year of the expiry of current license.
- c. In the case of tariff plans other than plans with lifetime validity, the subscribers should continue to get service during the entire promised validity period.
- d. Subscribers had the right to choose any tariff plan at any point of time.
- e. Hike in tariff for any tariff item specified in the lifetime tariff plans during the entire lifelong validity period was prohibited.
- f. The case of tariff plans other than plans with lifetime validity, which has a component of upfront payment, the service providers were not allowed to hike tariffs during the promised validity period of such plans.

A copy of the Telecommunication Tariff Order is available at the following link:

<http://www.trai.gov.in/torder21mar06.pdf>

9. TRAI Recommendations on Next Generation Networks

On **March 20, 2006**, TRAI submitted its Recommendations on Next Generation Networks. The key recommendations of TRAI were as follows:

- a. Government should organize interactive workshops/seminars on various aspects of NGN to bring awareness among different stakeholders.
- b. TRAI's recommendations on Unified Licensing dated 13th January 2005 should be considered expeditiously so that various operators can make best use of NGN platform to provide all types of telecom, data, video and broadcast services through a single license.
- c. Recommendations on Broadband access related issues like Local Loop unbundling need to be reviewed for NGN deployment.
- d. TEC should study and analyze various international developments pertaining to NGN in a time bound manner so as to incorporate the same in Indian context and develop interface requirements for the same.
- e. A cross industry joint consultative group consisting of TEC, Service Providers, technical institutions, vendors etc. should be set up for analyzing NGN standards & their customization for national requirement.

TRAI also stated that it would have a detailed consultation with stakeholders on the interconnection issues and QOS regulation for NGN. It will also set up an expert committee named 'NGN eCO' involving experts from DOT, TEC, C-DOT, service providers, vendors and academia to deliberate upon the various migration and interconnection issues.

A detailed copy of the Recommendations is available at the following link:

<http://www.trai.gov.in/recom20mar06.pdf>

10. Issues Relating to Convergence and Competition in Broadcasting and Telecommunications

On **March 20, 2006**, TRAI submitted its Recommendations on Issues Relating to Convergence & Competition in Broadcasting and Telecommunications. The key recommendations of TRAI were as follows:

- a. There should be a converged regulatory regime based on the Communications Convergence Bill 2001, with appropriate changes wherever required.
- b. Content regulation should be kept out of the purview of the converged regulator.
- c. The division of powers between the Government, TDSAT and TRAI should broadly correspond to the present situation.
- d. The unified licensing recommendations already sent to Government, should be approved at the earliest.
- e. There should be greater flexibility in spectrum allocation to take full advantage of new services and new technologies for existing services that may evolve with time.
- f. The Authority also made the following recommendations based on the Report of the Committee set up under the aegis of TRAI to provide Broadband based services over Cable TV Networks viz, -
 - I. Custom Duty Regime rationalized so that items performing the same function should be subject to the same duty structure.
 - II. Call termination should be permitted on Customer Premise Equipments (CPEs) using any protocol recommended by ITU/IETF.
 - III. Government may suitably address the banks and financial institutions to provide funds to the cable industry wherever this found commercially feasible.
 - IV. Government to undertake a complete review of the FDI policy for the various sub sectors in telecommunications and broadcasting to maintain consistency and level playing field among competing technologies.
 - V. Ministry of I&B may write letters to State Governments and Ministry of Surface Transport for providing Right of Way to Cable operators providing digital services pending amendment in the Cable Act which has already been proposed.

A detailed copy of the Recommendations is available at the following link:

<http://www.trai.gov.in/recome20mar06.pdf>