

June 10, 2005, New Delhi

1. Subscriber Numbers for May 2005

The total cumulative all India GSM subscriber base rose by **1.22 million** from **42.12 million** in April 2005 to **43.35 million** in May 2005, showing a **growth of 2.91%** in the month under review.

Category A, B and C subscribers grew by 2.61%, 2.91% and 4.43% respectively over the previous month while the Metro subscribers grew by 1.97%. Metros constitute 26.37% of the total market. Circles A, B C constitute 36.29%, 31.03% and 6.32% of the total market respectively. Delhi continues to be the leading cellular market with 4.25 million subscribers accounting for 9.80% of the total market, closely followed by Mumbai with 4.10 million subscribers accounting for 9.46% of the total market.

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

SI No.	Company	No of Subscribers (In Mn)		% Market Share		Service Areas
		April'05	May'05	April'05	May'05	
1.	Bharti	11.39	11.80	27.04%	27.23%	23
2.	BSNL	9.68	9.88	22.99%	22.79%	21
3.	Hutch	7.96	8.19	18.89%	18.89%	13
4.	IDEA	5.15	5.36	12.23%	12.37%	8
5.	BPL	2.59	2.59	6.15%	5.99%	4
6.	Aircel	1.77	1.79	4.20%	4.12%	2
7.	Spice	1.45	1.47	3.44%	3.38%	2
8.	Reliance	1.17	1.23	2.77%	2.83%	7
9.	MTNL	0.96	1.04	2.28%	2.39%	2
	TOTAL	42.12	43.35	100.00%	100.00%	

2. TRAI's Directive on Interconnection

On **June 7, 2005**, TRAI issued a Directive to all the Service Providers on Provision of Interconnection. The Authority was of the view that some service providers were either not providing interconnection or unnecessarily delaying the request of Interconnection. Unavailability of Interconnection between networks of service providers resulted in non-completion of calls, which caused disruption of service and inconvenience to the subscribers of the network of both the interconnecting operators, and deterioration in the Quality of Service provided by the service provider and was against the interest of the consumers and service providers.

Accordingly, the Authority has directed all the Service Providers to provide Interconnection on the request of the interconnection seeker within 90 days of the applicable payments made by the interconnection seeker and to furnish compliance report in this regard by 10th July 2005 and thereafter on quarterly basis by the 10th of the month following the end of the quarter.

3. TRAI issues Consultation Paper on 'Measures to Promote Competition in International Private Leased Circuits (IPLC) Segment in India

On **June 6, 2005**, TRAI issued its Consultation Paper on 'Measures to Promote Competition in IPLC Segment in India'.

During consultation process for fixing the ceiling tariff for IPLC, it was observed that enough competition had still not emerged in this segment. Authority felt that for rapid growth of telecom sector specially the ILD, Internet, Broadband and ITES segments, there was a need for regulatory initiatives to facilitate further competition in IPLC segment including better utilization & enabling faster access to international cable capacity in the country. The Consultation Paper discusses:

- Present scenario in the country as well as international scenario of some other countries which handled the issue successfully.
- The technical issues & regulatory concerns arising out of the current situation.

TRAI had Solicited the Suggestions and Comments of the stakeholders by June 30, 2005 on the following issues:

1. Whether the reseller in this market should be permitted with retail-minus pricing.

2. How the access and interconnection at the cable landing station could be facilitated for the new service providers.
3. What approach should be followed for fixing cost based Access & Collocation Charges.
4. Non-price discriminatory practices at the cable landing stations that need to be brought under Regulation.

4. TRAI Issues The Telecommunication Tariff (Thirty Eighth Amendment) Order, 2005 (5 of 2005)

TRAI issued the Telecommunication Tariff Order (38th Amendment) on **June 2, 2005** specifying a separate ceiling Tariff for Managed Leased Line Network (MLLN). based domestic leased circuit. For the first time, the Authority made a distinction between leased circuits provided as the classical system and leased circuit provided as the MLLN system and prescribed a higher ceiling tariff for MLLN circuits with speed/ capacity between 64 Kbps and 256 Kbps. TRAI noted the submissions of stakeholders that although MLLN offered the advantages of better quality and lower maintenance, it also entailed additional costs and therefore a separate higher ceiling for MLLN was justified. Thus, Tariffs for capacities above 256 Kbps and below 2Mbps were placed under forbearance due to low and specialized demand for these capacities. Details of the ceiling tariffs for MLLN circuits for capacity of 64 Kbps, 128 Kbps and 256 Kbps for distances of 5 to over 500 kms is available on the TRAI website.

The Authority stated that it would revisit the ceiling tariff after a year based on the prevailing market trends and other relevant factors at that time. It was also of the view that costs and capacity utilization of classical 64 kbps and MLLN based 64 kbps circuits should converge over time, eliminating the need to differentiate.

5. Inter Service Area Connectivity

A) Government Notification on Inter Service Area Connectivity in 4 States

On **May 20, 2005**, the Hon'ble Minister of Communications & IT announced inter-service area connectivity between access providers in the States of-

1. Maharashtra (Mumbai Metro & Maharashtra Telecom Circle Service Areas),
2. TamilNadu (Chennai Metro & TamilNadu Telecom Circle Service Areas),
3. Uttar Pradesh (including Uttaranchal) [UP (East) & UP (West) Telecom Circle Service Areas) and
4. West Bengal (Kolkata Metro & West Bengal Telecom Circle Service Areas).

The Notification stipulated that:

1. Inter-service area connectivity between Access Providers within these four States was permitted subject to the condition that the Access Providers would operate within their existing licensed service areas and would not be permitted to create infrastructure outside their licensed service area for the purpose of inter-service area connectivity.
2. The Access Providers may take lease lines for such connectivity.
3. This inter-service area connectivity would be only for terminating traffic.
4. With the above arrangement, calls within a State in the above-mentioned four States would be treated as intra-service area call for the purposes of routing as well as Access Deficit Charges (ADC).
5. The dialling procedure for calls within a State for these States would also be simplified i.e. dialling of mobile-to mobile subscribers and fixed-to-mobile subscribers would be without prefixing '0'.

It was also stated that the respective licenses of service providers (CMTS/ UAS/ Basic Service/ NLD) stood amended with immediate effect.

B) COAI Welcomed Inter Service Area Connectivity

COAI welcomed the Hon'ble Minister's announcement permitting inter service area connectivity between service areas in 4 states and viewed it as a first step to demolish artificial barriers. COAI opined that the decision was a historic step in India's telecom liberalization process and this facility would strongly serve consumer interest as it would deliver a series of benefits including:

- Facilitate lower tariffs,
- Serve regional communities of interest,

- Improve business and professional productivity &
- Enable ease of dialing and improve call quality by reducing traffic congestion.

6. COAI Report on ARPU/ Revenue Analysis for Private GSM Cellular Operators for the 4th Quarter of the Financial Year 2005

The COAI released its ARPU/ Revenue Analysis for Private GSM Cellular Operators for Q4 of the Financial Year 2004-05 (January to March 2005) on **May 19, 2005**.

The highlights of the report were as below:

- 1) The total revenues for GSM Cellular Operators in Q4 increased by 10.5%.
- 2) The Adjusted Gross Revenue increased from Rs. 3,207 crores in Q3 Rs. 3,546 crores in Q4.
- 3) The Adjusted Gross Revenue of the private GSM operators, alone grew from Rs 8,304 crores for FY-04 to Rs 12,309 crores in FY-05, thereby registering an increase of 48.2 %, during the financial year 2005.
- 4) The average ARPU of the private GSM operators rose marginally from Rs 396.4 per subscriber per month in Q3 to Rs 400 per subscriber per month in Q4.
- 5) During FY-04/05, the ARPU had moved within a close range Rs 396- Rs 400.
- 6) In Q4, the Delhi circle recorded the highest ARPU of Rs 514.5 followed closely by Mumbai Circle at Rs 483.2.

7. Additional Spectrum Requirement for GSM Operators

COAI vide its Letter No. TVR/COAI/082 dated **May 19, 2005** to WPC requested for allotment of additional spectrum to GSM operators. In this regard, COAI drew the attention of WPC to Letter No L-14027/27/2003-NTG dated January 28,2003 which recommended the roadmap for spectrum upto a total of 15+15 MHz for GSM operators. It was pointed out that the DoT policy regarding the allocation of additional spectrum had since then been implemented and all operators had been allotted additional spectrum based on the subscriber-linked policy. It was also pointed

out that a specific Government Order No L-14047/06/2004-NTG dated April 15, 2004 had also been issued to stipulate the % revenue share spectrum usage charges to be levied for spectrum allotments beyond 10MHz.

COAI also pointed out that some of the operators in Delhi and Mumbai had been assigned spectrum upto 10MHz on the basis of the same policy. It was also stated that some operators in the 'A' Circles and the Metros had crossed the subscriber eligibility criteria and were eligible for spectrum beyond the present allocated spectrum. The delay in the allotment of additional spectrum to these operators would cause severe network congestions, call drops, etc. which would adversely affect the Quality of Services and customer satisfaction.

In the light of the above, COAI requested WPC to take necessary action for immediate allotment of additional spectrum to the operators based on the established subscriber eligibility criteria.

8. World Telecom Day

On the occasion of World Telecom Day on **May 17, 2005** COAI reaffirmed its dedication and resolve to achieve/ exceed the Government – set target of 200 Million mobile phone users by 2007 and create an equitable information society. Underlining the importance of mobile telephony COAI aversed that:

- The onus of growth to achieve the 250 million target rested mainly on mobile telephony, which was driven predominantly by GSM.
- The mobile industry was estimated to generate about 1% of the GDP i.e. Rs. 31,300 crores per year.
- It catered to approximately 3.6 million jobs in India.
- It provided about Rs 15,000 crores per annum to the Government by way of revenues through over half a dozen streams.

COAI also acknowledged the urgent need to expand the networks and provide cellular coverage to rural and unserved areas in this regard Mr. TV Ramachandran, Director General, COAI outlined

some key issues that needed to be addressed as given below to facilitate the journey to 200 million mobile phones.

1. Sharing of infrastructure to reduce costs,
2. A more viable Interconnection and ADC Regime,
3. Removal of unreasonable obstacles to prepaid subscriber acquisition,
4. Earliest introduction of 3G services harmonized with the world, etc.

9. Access Deficit Charges on Roaming Calls

A) COAI Writes to TRAI about BSNL's Circular dated May 9, 2005.

TRAI's Telecommunication Interconnect Usage Charges (IUC) Fifth Amendment Regulation dated April 11, 2005 seeking to alter the definitions on national and international roaming calls had already been challenged by COAI in TDSAT by Appeal No. 7/2005 on the grounds inter alia that it had been issued without affording an opportunity of hearing to the Appellants and for totally extraneous considerations.

Whilst the appeal was pending in TDSAT, BSNL vide its Circular No. 352-1/2005-Regln. issued on May 9, 2005 in purported implementation of Authority's IUC Regulation (Fifth Amendment). BSNL demanded ADC even for intra-circle roaming calls i.e. when a subscriber of one network was roaming in the network of another cellular operator in the same Service Area and the BSNL's network was not involved in call completion.

In response to this action of BSNL, COAI wrote to TRAI vide its Letter No. TVR/COAI/065 dated **May 16, 2005** pointing out that the Authority had prescribed a differential ADC on roaming on a visited network in a different service area and not for roaming on a differential network within the same service area whereas BSNL had incorrectly interpreted the definition to levy an ADC charge even on local/ intra-circle calls within the same service area.

COAI apprehended that the incorrect interpretation by BSNL was a manifestation of the anomalies that would continue to arise as a result of the Authority adopting definitions that were a departure from the well accepted definitions of calls as per licensor/ other documents/ agreements.

COAI sought Authority's urgent attention in the matter to direct BSNL to amend its Circular to the extent that it did not impose ADC on local/ intra-circle calls made by subscribers within their

home service area.

B) COAI Files a Writ Petition in Delhi High Court Challenging TRAI's Telecommunication Interconnect Usage Charges (Fifth Amendment) Regulation (7 of 2005) and BSNL's Circular No. 352-1/2005-RegIn

In the light of BSNL Circular dated May 9, 2005 and the fact that the TDSAT was non-functional due to the retirement of the Chairman, COAI filed a Writ Petition in the Delhi High Court in this matter on **May 30, 2005**. The matter was heard on May 31, 2005. In its Order of the same date, the Court opined that as bill had been raised by BSNL, the apprehensions of COAI were in the realm of speculation. The Hon'ble Court was pleased to adjourn the case to 13th September 2005, giving the petitioners the liberty to file an appropriate application seeking urgent hearing and urgent interim orders in the event that BSNL raised any bills as the petitioners.

10. Spectrum

A. TRAI's Spectrum Recommendations

TRAI submitted its recommendations on spectrum related issues on **May 13, 2005**. The highlights of the recommendations were as below:

1. Government to continue with the subscriber linked approach for assignment of additional spectrum.
2. However as the efficiency of CDMA spectrum diminishes in Central Business Districts (CBDs), the criteria should be made 'technology neutral'.
3. The spectrum allocation (assignment) criterion to be urgently revised within a month from date of acceptance of TRAI's recommendations.
4. In service areas where there is adequate compensation, Government should not keep spectrum in reserve but assign it to existing players, based on the revised criterion.
 - a. For example, in the case of Delhi, 2820 MHz is available for CDMA operators but only 2812.5 has been assigned.

- b. In the case of GSM operators, additional spectrum should be assigned as and when it is vacated. In addition a city wise analysis of spectrum requirements must be carried out, a time bound schedule should be drawn up to make spectrum available by December 2006 and further GSM operators should employ efficiency techniques to increase their capacity.
 - c. One time spectrum charge for new entrants to be equal to UASL entry fee in that service area minus the component of Registration Charge based on the Entry Fee paid by new BSO. For new UASL, one time entry fee would include one time spectrum charge also.
 - d. Existing ceiling on annual spectrum charges of 6% AGR to be brought down to 4% of AGR to reduce input costs.
5. 2 GHz band to be adopted for IMT-2000 Services in India because:
- a. Defence cannot vacate the USPCS 1900 MHz band
 - b. Mixed band plan would cause interference
 - c. IMT-2000 arrangement BS has been dropped by ITU due to interference problems.
6. IMT-2000 spectrum to each mobile service provider should be given non-discriminately otherwise it will create non-level playing field.
7. If operators can offer 2G, 3G or 4G services in their existing spectrum, then the Regulator or Policy Maker should not stand in their way.
8. CDMA operators should be given spectrum in 450 MHz band, 1800 MHz band and as and when they demand.
9. IMT-2000 spectrum should be considered an extension of 2G.
10. There should be no entry fee for IMT-2000 spectrum. If however, demand exceeds supply, bidding should be considered as a last resort.
11. Assignment of IMT-2000 spectrum should be accompanied by rollout obligations at par with 2G (10% of DHQs).

12. An additional annual spectrum charge on per MHz basis be charged for IMT-2000 spectrum to avoid hoarding of spectrum till the service provider rolls out IMT-2000 services. If roll out does not take place within 2 years from the date of allocation of spectrum, this allocation would be cancelled.
13. Before considering allocation of spectrum to new service providers it is necessary to ensure that the existing service providers have adequate spectrum. Government should not keep the available spectrum with themselves in service areas where there is adequate competition.
14. Spectrum allocated for alternative technologies like CorDECT to be de-linked from spectrum for cellular technologies like CDMA and GSM.
15. To promote the most efficient usage of the CorDECT platform spectrum allocation for specific operators to be altered from its current format and out of the total 11 carriers 7 carriers to be left open to be shared by all operators with the clearance to operate CorDECT equipment in their service area.
16. The present system for acquiring and pricing of point-to-point and point-to-multipoint wireless links to be modified. New proposed formula to rationalize and reduce costs particularly for fixed wireless links over short distances to help reduce costs for semi-urban and rural areas.
17. WPC already making efforts for contiguous allocation of spectrum. Process should be expedited.
18. Spectrum trading to be considered at a later stage through a consultation process.
19. Spectrum policy to be reviewed periodically depending upon the development in the market, level of competition, development of technologies and availability of equipments and spectrum.

B. COAI writes to the Hon'ble Minister of Communications & IT

COAI vide its Letter No. TVR/COAI/077 dated **May 16, 2005** to the Hon'ble Minister of Communications & IT expressed its concerns on TRAI's Spectrum Recommendation. COAI's concerns were as below:

- 1) As spectrum was a vital resource for mobile services, the subscriber linked eligibility guidelines specified by the Government for its efficient utilization were of paramount importance from the

point of view of consumers, nation and the industry and could not be diluted or negated by TRAI.

- 2) As per prevalent Government guidelines, there was no justification for CDMA operators to get any spectrum beyond 4 carriers (5MHz) and in few places in India they did not even justify 3 carriers.
- 3) CDMA operators in their written submissions in the Court had stated that CDMA was more than 5 times more efficient than GSM. TRAI too, in its Consultation Paper had stated that CDMA was the 'most efficient available technology'. Thus as per this criteria, GSM needed at least 25MHz to have level playing field with CDMA.
- 4) However TRAI was seeking to dilute the present guidelines of the Government and provide additional spectrum to CDMA. This would give CDMA operators a backdoor entry into 3G as they would be able to earmark separate carriers for EVDO, which is 3G for CDMA.
- 5) The above would inflict severe anti competitive blow to all the GSM players including BSNL and MTNL who would be kept waiting for IMT 2000, (2GHz) band for their 3G.
- 6) Even the existing CDMA subscriber linked guidelines were too lenient vis-à-vis GSM. Thus, any further dilution for CDMA would be completely unfair and discriminatory towards the GSM operators.

In conclusion COAI submitted that TRAI's recommendation to award spectrum to CDMA operators without ensuring optimal use was in conflict of its duty under the Act to ensure efficient management of available spectrum and sought for the intervention of the Hon'ble Minister in this case to create a level playing field for all.

11. Service Tax: Impact on Cellular Industry

Mr. TV Ramachandran, Director General, COAI made a presentation on the Impact of Service Tax on the Cellular Industry at the 'National Service Tax Conference' organized by Confederation of Indian Industry (CII) in partnership with Pricewaterhouse Coopers (PwC) on **May 13, 2005** at New Delhi.

In his presentation, Mr. TV Ramachandran avers that the Indian Telecom Industry was an important service industry that delivered several social and economic benefits but, it was one of the most heavily taxed sectors. In his presentation Mr. Ramachandran discussed several issues related to tax burdens and made the following submissions:

1. Industry should not be subject to both Sales and Service Tax.
2. Annual license fees should cover only costs of Administration and Regulation.
3. USO must be properly used to meet specified social objectives.
4. Industry had already paid for spectrum, usage charges should cover only costs of Administration and Regulation.

A copy of the above Presentation can be viewed on the COAI website at www.coai.in

12. Self Certification For Liquidated Damages

COAI vide its Letter No. TVR/COAI/074 dated **May 10, 2005** wrote to DoT drawing attention to the amendment with regard to the Performance Bank Guarantee wherein it was stated that the Operators self certification of 10% coverage of the DHQs in first year would lead to release of 50% of the PBG, and on further coverage of 50% of the DHQs within three years of the effective date of the Licence the remaining PBG was to be released on the basis of TEC certification.

Recently however VAS department advised that the aforementioned amended clause based on coverage criteria as per Cl. 34 of the Licence Agreement was only restricted for the purposes of release of PBG. However, for the purposes of imposition of Liquidated Damages (LD), the Licensor still required a TEC certification, irrespective of the percentage of coverage criteria. It meant that for the purposes of release of PBG a self-certification was sufficient on coverage of 10% of the DHQ in the first year, however, for the purposes of imposition of LD the self certification on coverage of 10% of the DHQ did not hold good so it required certification from TEC for both 10% coverage within first year and 50% coverage within the first three years.

COAI felt that this was self-contradictory and requested DoT to review it. It also stated that both PBG and LD connected to the clause on coverage criteria, any amendment to the clause on release of PBG, should be directly applicable to the clause on LD as well.

13. TRAI Recommendations on issues relating to Publication of Telephone Directory and Directory Enquiry Services to the Government

The TRAI on **May 5, 2005** submitted its recommendations to the Government on issues relating to Publication of Telephone Directory and Directory Enquiry Services. The highlights of the recommendations were as below:

1. All the license agreements for access service to have uniform provisions for publication of telephone directory and directory enquiry services either by the licensee or through another licensed operator and/or Directory Enquiry Service Provider.
2. There should be an integrated telephone directory for fixed line customers at LDCA level, covering the fixed line customers of all Basic Service Operators (BSOs)/ Unified Access Service Providers (UASPs). The incumbent operators i.e. BSNL and MTNL should publish the printed integrated telecom directory of fixed line customers and other operators should compensate the incumbent towards the cost of publication of the Integrated Directory for fixed line numbers, based on their number of entries.
3. If a fixed line subscriber does not wish to be listed in the directory, his name shall be excluded from the directory after taking consent of the subscriber in writing.
4. For mobile service although an integrated directory of all mobile customers at circle level would be ideal, presently it was not possible to print such an integrated directory for mobile customers. Therefore, in the meantime each cellular operator should individually publish printed telephone directory of their customers at circle level.
5. The Cellular Mobile Directory should contain entries of only those customers who have explicitly given their consent.
6. Pre-paid customers to be excluded from the printed Directory.
7. Issues relating to privacy and unwanted telemarketing calls to be addressed through the provision for exclusion of numbers of those customers who do not want their telephone numbers listed in the directory services and through appropriate legislative and other measures.

8. In addition to printed telephone Directory, all service providers to provide Directory Services through the Web. In the case of cellular service, Directory services through the Web to also contain pre-paid customers who have given their consent in writing or through e-mail or SMS. The Cellular Operators, in lieu of maintaining a Directory on the Web, to have the option of providing Directory Services through the handset.
9. Directory to be printed on an annual basis with the main Directory published in the first year followed by two Supplementary Directories. The Directory would be divided into business and residential, in bigger LDCAs.
10. Provisions in Rules 452 to 459 of the Indian Telegraph Rules, 1951 relating to "Telephone Directories" to be reviewed and amended to be in line with present licensing and regulatory regime.
