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1. Subscriber Numbers for October 2005

A. GSM Subscribers

The GSM industry once again reported a record subscriber growth of more than 2 million subscribers during the month of October'05 – the **highest subscriber additions (2.11 million)** since inception of service. The cumulative GSM subscriber base grew to **52.98 million** in October 2005, up from **50.87 million** in September 2005, a growth of **4.15%** for the month under review.

Metro subscribers grew by 0.44 million (3.5%) in Oct'05. Individual contributions were Delhi (0.13 million additions), Mumbai (0.20 million additions), Chennai (0.09 million additions) and Kolkata (0.02 million additions).

Category C Circles witnessed the highest rate of growth at 6.7% (0.25 million new subscribers) as compared to Metros and A & B circles. Within the Category C circles, Bihar recorded highest additions (0.09 million new subscribers, 6.3% growth).

Category C was followed by **Category B Circles** at 4.3% growth (0.71 million new subscribers) with highest additions in UP (E) (0.18 million new subscribers, 7% growth). **Category A circles** witnessed a growth of 2.77% (0.7 million new subscribers) with highest additions in Tamil Nadu (0.18 million new subscribers, 5.4% growth).

Amongst all the Circles, Delhi continued to be the leading cellular market with 4.84 million subscribers accounting for 9.13% of the total market, closely followed by Mumbai with 4.71 million subscribers accounting for 8.89% of the total market.

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

Sl No.	Company	No of Subscribers (In Mn)		% Market Share		Service Areas
		Sept'05	Oct'05	Sept'05	Oct'05	
1.	Bharti	14.07	14.74	27.65%	27.82%	23
2.	BSNL	11.90	12.51	23.39%	23.61%	21
3.	Hutch	9.71	10.16	19.08%	19.18%	13
4.	IDEA	5.95	6.06	11.69%	11.44%	8
5.	BPL	2.81	2.85	5.51%	5.38%	4
6.	Aircel	2.09	2.17	4.11%	4.09%	2
7.	Reliance	1.58	1.61	3.11%	3.03%	8

8.	Spice	1.49	1.52	2.93%	2.87%	2
9.	MTNL	1.28	1.37	2.52%	2.58%	2
	TOTAL	50.87	52.98	100.00%	100.00%	

GSM continues to be the predominant driver of growth of the Indian mobile telecommunications market.

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 0.79 million from 13.56 million in September 2005 to 14.35 million in October 2005, representing a growth of 5.83% 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
		Sept'05	Oct'05	Sept'05	Oct'05	
1.	Reliance	11.414	11.781	84.19%	82.10%	20
3.	TATA	2.056	2.479	15.16%	17.28%	20
5.	HFCL	0.060	0.061	0.44%	0.43%	1
6.	Shyam	0.028	0.028	0.21%	0.19%	1
	TOTAL	13.558	14.349	100.00%	100%	

Source: AUSPI

2. Competition in the Long Distance Segment

COAI warmly welcomed the announcements made by the Hon'ble Minister of Communications, Thiru Dayanidhi Maran, on November 10, 2005, to lower the entry barrier for long distance services and open up the license regime for players with no prior experience in the industry. Reacting to the announcements in a Press Statement, COAI averred that the lower entry fees for NLD & ILD would facilitate easy access into long distance segment, which in turn would lead to a plurality of long distance players, help expand the scale & availability of services and ensure further fall in tariffs for STD calls.

COAI opined that this initiative would also help usher in the Hon'ble Minister's vision of One India, making long distance calling even more affordable & attractive for consumers, leading to the death

of distance and ensuring that the 'long distance' revolution filters down to the common man in each and every corner of the country.

The key policy announcements were as follows:

- a. Entry fee for new NLD & ILD Licenses reduced from the existing levels of Rs. 100 crore and Rs 25 crores to Rs. 2.5 crore each.
- b. Annual License Fee for NLD and ILD Licenses reduced from the existing level of 15% to 6% of AGR.
- c. No mandatory roll out obligations for future NLD and ILD license and existing licenses with immediate effect.
- d. Networth requirement and paid up capital requirement of the applicant company for NLD and ILD reduced to the level of Rs. 2.5 crore.
- e. NLD service providers allowed to access the subscribers directly for provision of leased circuits/closed user groups.
- f. Provision of Internet Telephony, Internet Services and Broadband Services by Access Providers.
- g. IP II and VPN Licenses to be permitted to migrate to NLD/ ILD Licenses upon compliance with prescribed terms.

3. Operations of Cell Sites near International Borders

COAI vide its Letter No. TVR/COAI/179 dated **November 3, 2005** requested the Dot to suitably amend the license provision and allow the Operators to offer mobile services within the boundaries of the service area near international boundaries, subject to the strict condition that the signal did not, under any circumstances cross the international boundary.

In this regard COAI drew the attention of the Dot to a new technique "Time Advance Restriction", which ensured that radio signals emanating from a fixed source faded after traveling a particular distance. Deploying this technique would ensure that signals from cell sites fade out as they approached the border or would become unusable. This would take care of the security concerns.

COAI stated that providing wireless coverage to borders areas would have the following advantages:

- a. It would fulfill demand for wireless telephony in border areas and bring these people into the mainstream life.

- b. It would enable provision of socially relevant value added services.
- c. It will help attain the target of 180 million mobile subscribers by the end of 2007, envisaged by the Hon'ble Minister of Communications & IT.
- d. It will bridge the gap between rural and urban tele-density.

In light of the above, COAI requested the DoT to allow cellular operators to demonstrate this technique to the Government, pursuant to which, the license provision could be suitably amended to allow operation of border cell sites using Time Advance Restriction Technique.

4. TRAI's Study Paper on 'State of Indian Telecom Network'

On **November 2, 2005** TRAI released its Study Paper on the State of Indian telecom Network. The paper discussed the status of interconnection between various operators, steps taken by TRAI in ensuring effective interconnection and constraints experienced by TRAI in ensuring effective interconnection between service providers. The study revealed the need for ensuring effective interconnection and the need to curtail the time needed for providing interconnection. The study also revealed that the private operators have been quicker in responding to the interconnection needs.

A full copy of the Study Paper is available at the following link:

<http://www.trai.gov.in/spaper2nov05.pdf>

5. TRAI's Directive regarding Posting of Information Related to USO on the Websites of the Service Providers.

On **October 28, 2005**, TRAI issues a Directive to all UASPs and BSNL to provide the information pertaining to USO related activities to USO Fund administrator on a monthly basis as per the prescribed format and also post this data/ information on their websites within 15 days of the issue of this Directive. TRAI stated that this is being done in order to evolve a transparent mechanism for activities supported from USO Fund.

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

<http://www.trai.gov.in/dir28oct05.pdf>

6. Mobile Number Portability

A. Open House Discussions

The TRAI OHDs on the Introduction of MNP were held in Hyderabad, Kolkata, Mumbai and Delhi. At the Open House Discussions COAI reiterated and reemphasized its view that the introduction of mobile number portability was premature and undesirable at this stage as:

- a. The cost structure of Indian telecom sector was the highest whereas it offered the lowest tariffs. The commendable growth of the industry could be attributed primarily to the ever-increasing affordability of service.
- b. There would be significant costs involved in setting up the systems and databases which would add to the costs of operators and tariffs for end customers.
- c. This would adversely affect the growth plans of the industry and hinder rollout into unserved areas at affordable prices.
- d. Most regimes introduced number portability to promote competition whereas Indian cellular industry is already witnessing intense competition due to the presence of six to eight operators in each service area.
- e. The efforts of the stakeholders should be focused on more important issues like reducing costs and improving the ability of operators to expand the coverage and reach of their services.
- f. If at all number portability was required, it was in the fixed segment.

B. COAI's Interaction with TRAI

In a subsequent interaction with TRAI on **October 17, 2005**, COAI discussed its proposal that an independent expert should be commissioned to undertake a study and submit a report that would give valuable inputs on how to proceed forward in this matter. COAI opined that such an exercise would take at least 4 months and thus, requested the Authority to keep this issue pending till the time an expert report could be produced on the matter. COAI also requested that the Authority be involved in the COAI study to provide proper guidance and direction. However, the Authority was not inclined to be involved in this exercise and was also not willing to accede to the request for a 4-month extension.

C. COAI's Response

In the light of the above, COAI, vide its Letter No. TVR/COAI/176 dated **October 25, 2005** to the Authority, reiterated its stand on the issue of Mobile Number Portability and submitted that it was not in the favour of introduction of Mobile Number Portability and further that if at all number portability was considered, it should first be introduced in the fixed line segment.

COAI also stated that the time frame of 2.5 months suggested by the Authority was inadequate to carry out such an extensive exercise. It also submitted that a detailed study of this issue was very important. It thus proposed to go ahead and commission the study as it believed that the results of this would be of considerable use to the Government, Regulator and Industry in taking an informed decision in this matter.

7. COAI's Proposals for Union Budget 2006-07

On **October 17, 2005** COAI submitted its proposals for the Union Budget 2006-07. COAI believed that while the growth of subscribers had been aggressive, it had not matched a proportionate growth in revenues. In addition to the challenge of low Average Revenue Per user (ARPU), the industry was also been facing a high level of duties & levies. As a result, the industry was operating on thin margins leaving it with inadequate resources to fund network expansion and growth to rural and un-served areas.

COAI opined that the new budget should aim at reducing the burden of levies on the telecom sector and focus towards removing administrative hassles and unnecessary paperwork which consumes the time of the concerned government department. This would also ensure maximization of the telecom sector revenues. It was depicted that lowering of levies and duties would facilitate higher revenues, which would translate into higher tax receipts for the Government and thus benefit the Government.

Some of COAI's proposals were as follows:

- a. **Additional Duty of Customs (ACD)** - ACD paid can be availed as credit against excise duty on finished products by the manufacturing sector. This facility should be extended to telecom service providers as well and Telecom Service Providers should be made eligible to avail credit for 4% ACD.
- b. **CENVAT credits for Motor Vehicles** - As other service industries like courier agency, tour operators were entitled to CENVAT credit for motor vehicles, telecom, being a service industry, should also be allowed the same benefits.
- c. **CENVAT credit for Fuel** - In case of telecom company, input credit should be allowed for consumption of fuel used for maintenance and running of networks. Telecom operators have to install BTS (Towers/ Cellsites) across the service area and need to spend a huge amount on fuel for running and maintenance of these cellsites.

- d. **Application of MAT u/s 115JA** - The explanation to section 115JB should be suitably amended to provide for exclusion of incomes, to which section 80IA applies, from the Book Profits of the Company. Infrastructure companies should be exempted from payment of tax during the 80-IA period.
- e. **TDS on Interconnection Charges** - TDS should not be applicable on interconnect charges paid by companies and necessary clarification should be issued in this matter.
- f. **Service Tax on Interconnection Charges** - Interconnect charges paid were not in the nature of fees for technical service but to allow the call from the cellular service provider to be carried over to the other service provider. Thus Service Tax should not be applicable on interconnect charges paid by companies and necessary clarification / Notification should be issued in this matter.
- g. **Service Tax on Import of Services** - In case of an Indian company availing any type of Services from any organisation based outside the country whose services are liable to charge Service Tax does not have any establishment in India, then the Indian company needs to get itself registered and deposit service tax amount with the Government. Necessary clarification in this regard doing away with this requirement of deposit of Service Tax in such cases should be issued.

The detailed Proposal can be viewed at the COAI website at www.coai.in