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1. Subscriber Numbers for September 2005

A. GSM Subscribers

The GSM industry has **crossed the 50 million mark** with a healthy addition again of nearly **2 million** in September 2005 to reach the subscriber base of **50.87 million** from **48.92 million** in August 2005, a growth of 4.01%.

Metro subscribers grew by 0.35 million (2.84%) in Sept'05. Individual contributions were Delhi (0.15 million additions), Mumbai (0.13 million additions), Chennai (0.04 million additions) and Kolkata (0.03 million additions).

Category A circles witnessed a growth of 2.77%. Among Category A circles, the Circles which recorded highest additions was Andhra Pradesh (0.107 million additions, 3.23% growth) followed by Karnataka (0.103 million additions, 3.07% growth).

Category B circles continued to record a healthy growth at 5.38%. Highest additions were in UP (E) (0.23 million additions, 9.53% growth), closely followed by UP (W) at (0.15 million additions, 6.97% growth,) and Rajasthan (0.11 million additions, 6.29% growth)

Category C Circles have witnessed the highest rate of growth at 8.11% as compared to Metros and A & B circles. Some of the Category C circles, which have recorded a healthy growth were Bihar (0.12 million additions, 9.70% growth), followed by Jammu & Kashmir (0.06 million additions, 12.82% growth).

Amongst all circles UP(E) added the maximum subscribers at 0.23 million additions.

Amongst all the circles, Delhi continues to be the leading cellular market with 4.71 million subscribers accounting for 9.26% of the total market, closely followed by Mumbai with 4.51 million subscribers accounting for 8.87% 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
		August'05	Sept'05	August'05	Sept'05	
1.	Bharti	13.41	14.07	27.41%	27.65%	23
2.	BSNL	11.32	11.90	23.14%	23.39%	21

3.	Hutch	9.29	9.71	18.99%	19.08%	13
4.	IDEA	5.88	5.95	12.02%	11.69%	8
5.	BPL	2.75	2.81	5.62%	5.51%	4
6.	Aircel	2.01	2.09	4.11%	4.11%	2
7.	Reliance	1.55	1.58	3.19%	3.11%	8
8.	Spice	1.48	1.49	3.03%	2.93%	2
9.	MTNL	1.22	1.28	2.49%	2.52%	2
	TOTAL	48.92	50.87	100.00%	100.00%	

GSM continues to be the predominant driver of growth of the Indian mobile telecommunications market. In the month of September **nearly 80% of all new mobile subscribers chose GSM** thus **GSM acquired nearly 80% of the market share** as against about 20% of CDMA.

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 0.52 million from 13.03 million in August 2005 to 13.56 million in September 2005, representing a growth of 4.02% 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
		August'05	Sept'05	August'05	Sept'05	
1.	Reliance	11.134	11.414	85.42%	84.19%	20
3.	TATA	1.810	2.056	13.89%	15.16%	20
5.	HFCL	0.062	0.060	0.48%	0.44%	1
6.	Shyam	0.028	0.028	0.22%	0.21%	1
	TOTAL	13.034	13.558	100.00%	100.00%	

Source: AUSPI

2. Meeting with MoC on Spectrum

On **October 6, 2005**, COAI had a meeting with Hon'ble Minister of Communications and IT, Thiru Dyanaidhi Maran to discuss the Spectrum Concerns of GSM Operators. Mr.

Ramachandran expressed concern on behalf of the Indian GSM industry that despite GSM being the predominant standard, present spectrum practices discriminated against Indian GSM operators and their 50 million customers in terms of disproportionate assignment of spectrum to CDMA operators resulting in:

- a. Under Utilization / Inefficient Utilization by CDMA
- b. Giving CDMA Operators a Cost and Competitive Edge over GSM
- c. Facilitating a Possible Preferential Backdoor Entry for CDMA in 3G

Further that GSM operators and their consumers were also disadvantaged as they had to pay double the spectrum usage charges vis-à-vis CDMA operators on the same subscriber base (revenues)

The GSM industry sought the Government's support in ensuring level playing field between GSM and CDMA in terms of capacity utilization of assigned spectrum, spectrum usage charges and evolution to 3G services.

The GSM industry also requested the Government to adhere to NFAP-2002 stipulated, ITU identified, globally harmonized, international consensus band plan of 2GHz for IMT-2000 services & not consider introduction of the disruptive US PCS 1900 MHz band plan into India. It was submitted that adherence to the ITU identified international consensus 2GHz band for 3G will ensure interference free coexistence and growth of both GSM and CDMA operators & give the Indian subscribers the benefits of

- a. Economies of scale (lower tariffs),
- b. Seamless roaming
- c. Interoperability of systems, etc

3. TRAI's Open House Discussions on 'Billing Issues' and 'Mobile Number portability'

COAI attended TRAI's Open House Discussions (OHDs) on Billing issues and Mobile Number Portability held in Mumbai and Delhi on October 4, 2005 and October 6, 2005 respectively. During the OHDs, COAI reiterated its stands on both the issues.

4. TRAI Report on QoS Parameters Related to Network Congestion of CMSPs

On **October 4, 2005** TRAI released its report on QoS Parameters Related to Network Congestion of CMSPs for the month of July. The benchmarks for these parameters were:

POI Congestion	<0.5%	
Blocked Call Rate	(i) SDCCH Congestion	<1%
	(II) TCH Congestion	<2%

Some observations made by the Authority were:

- a. In a number of major and minor cities, the level of congestion between the networks of private operators and BSNL network was far more than this benchmark and the number of such places were increasing.
- b. In the month of January 2005, there were about 24 places having congestion level more than 10% i.e. 20 times worse than the benchmark. In July 2005, the number of such places had increased to 86.
- c. In some of the major cities viz Patna, Agra and Lucknow, the level of congestion between the POIs of Private CMSPs and BSNL TAXs continued to be very high since last few months.
- d. In case of BSNL, in a number of service areas, there was congestion in its radio network. Against the benchmark of <2% for TCH Congestion, the figures for the service areas of Orissa, Haryana, UP-W, Bihar and Rajasthan were 15.3%, 15.1%, 14.0%, 12.1% and 11.0% respectively.

5. TRAI Recommendations on Growth of Telecom Services in Rural India

On **October 3, 2005** TRAI submitted its recommendations on growth of Telecom Services in rural India. TRAI recommended that the existing policy of subsidizing individual connections would not help achieve the aggressive tele density targets that had been laid down by the Government. The Regulator thus proposed that an alternative approach of facilitating network infrastructure expansion should be adopted. Under this approach TRAI recommended that service providers be offered financial incentives in the form of coverage of partial cost of shared infrastructure and license fee and spectrum charge reduction based on the number of rural base station locations.

The objective of the recommendations was to bridge the digital divide, i.e. reduce the difference in tele density in urban areas (31.1%) and rural areas (1.9%). TRAI indicated that a subsidy of 80 billion rupees (US\$1.8 billion) would be required to increase take-up of

wireless communications in rural areas. The subsidies would be financed by the Universal Service Obligation Fund. The salient features of TRAI's recommendations were:

- a. Sharing of infrastructure to receive support from USO Fund.
- b. Supporting backbone infrastructure through USO Fund.
- c. Discount in Annual License Fee and Spectrum Charges linked with Rural Coverage.
- d. Development of suitable applications.
- e. Reduction of rural VSAT license fees and spectrum charges and provision of transponders at affordable rates.
- f. No Right of Way charges for networks in rural areas.
- g. Niche Operators to be supported from USO Fund and to be exempted from spectrum charges.
- h. No spectrum fees for usage of CorDECT and similar technologies in rural areas as well as for usage of 450 MHz.
- i. No prior SACFA clearance necessary for deployment of towers upto 40 meters in rural areas.
- j. Funds collected as Universal Access Levy to be made available to USO Fund.

7. Problems Faced by Operators due to Demand of Subscriber List

COAI vide its Letter No. TVR/COAI/155 dated **September 23, 2005** to DoT, raised the issue of demand of subscriber data by police personnel at various levels of different branches of the state.

COAI pointed out that CMTS licensees were already providing this data to security agencies and also to the concerned Director General of Police (DGP) of the state to cater requirements of the State Police. It was requested that the State Police Departments should obtain data from the DGP of the state as and when required rather than individually and severally seeking the same from the operators thus creating huge problems for the operators.

In view of the above, COAI requested the Government to take the issue in to consideration and discuss it with respective Home Secretary and Chief Secretaries of various States.

8. Simplification of WPC Approval Process for Import of Telecom Equipment

COAI vide its Letter Nos. TVR/COAI/149 & TVR/COAI/150 dated **September 12, 2005 & September 14, 2005** to Wireless Advisor and DoT respectively, requested for simplification of WPC approval process for import of Telecom Equipment as any delay in the approval led to delays in rollout and expansion of mobile networks. It was pointed out that at present WPC was giving clearance for this once in two months, in this regard COAI brought out the following points:

- a. There were multiple vendors supplying different type of Radio/MW equipment, which required import license. Each one having different delivery periods led to difficulty in co-ordination to meet rollout requirements in time.
- b. The Purchase Orders were raised based on the budget as well as network and business/ marketing requirements, which were subjected to changes due to changes in rollout plans hence, changes in import license requirements.
- c. The import license was issued with limited validity of three months, which restricted customs clearances in case of delays in deliveries by vendors.
- d. The competitive pressures of 6 players forced each of them to augment their capacities and rollout in short time on an 'as & when' basis.

In order to overcome the above problems, COAI suggested that the process followed by WPC for obtaining import license should be simplified. The following measures were suggested for simplification:

- a. To reduce paperwork and time involved in obtaining clearance, the import license application should be in a prescribed format.
- b. No attachments like equipment utilization status, deployment plan, AIP, equipment literature, etc should be attached.
- c. There should be no limitation on the number of import licenses applications/ or any time spacing between each application.
- d. The processing time should be reduced to five working days for routine applications and two working days for critical and urgent cases.
- e. The validity of the import license issued by WPC should be raised from three months to six months.

COAI requested the authorities to review the matter and simplify the procedure to remove unnecessary complicated procedure and administrative problems.

9. Tariff Plans with Misleading Titles

A. TRAI Directive

On **September 14, 2005**, TRAI issued a Directive on 'Tariff Plans with Misleading Titles' to all Telecom Operators disallowing tariff plans with misleading titles. The Directive mandated the service providers to show all monthly fixed recurring charges under one sub-head for the purpose of transparency to the subscribers.

TRAI directed all Service Providers as follows:

- a. No tariff plans should be offered, presented, marketed or advertised in a manner that was likely to mislead subscribers.
- b. All monthly fixed recurring charges which were compulsory for a subscriber under any given plan should be shown under one head.

The TRAI also directed the operators to restructure titles and the content of existing tariff plans so as to make them consistent with the above Directions within 15 days of the issue of the Direction.

B. COAI's Response to TRAI

COAI vide its Letter No. TVR/COAI/157 dated **September 26, 2005** to TRAI stated that the complete details of the tariff plans were available to the subscriber at the time of enrollment. It was submitted that in any tariff plan, rental component was not linked to usage of service i.e., rental was not related to charges that were applicable to usage of airtime etc. Thus, in a tariff package the rental component could be zero, however there might be a fixed fee against a committed amount of free airtime or other services offered by the service provider. The rental was not bundled into this fixed fee, as this fee was against a free airtime offering or other similar offering related to usage.

It was submitted that tariff packages were designed after analyzing the usage patterns of various segments of subscribers, the aim being to attract customers by offering various usage linked benefits. The Service Providers ensured that the subscribers were fully informed regarding the tariff package at the time of enrollment and further updates were provided to customers by means of SMSs, website update, monthly bills, publication of Advertisements and through customer support services.

It was therefore be inappropriate to come to a conclusion that the tariff packages were misleading when the intention in fact was to extend benefits to the consumers and thus the Directive of the Authority on the tariff plans with misleading titles was not necessary. COAI thus requested the Authority to suitably amend the Directive.

10. Telecommunication Tariff Order

A. 39th Amendment to TTO fixing Tariff for International Private Leased Circuit.

Pursuant to the TDSAT judgment of 28/4/2005 TRAI carried out TDSAT mandated disclosures and re-determined tariffs for International Bandwidth and released them on **September 8, 2005**. The Authority concluded that tariff regulation in IPLC market was necessary for the following reasons:

- a. The decline in the tariffs for IPLC half circuit services in India was substantially less than the extent of decline witnessed in other parts of the world over time and also as compared to the cost of provision of services.
- b. Skewed market structure was detrimental to competition.
- c. The services of IPLC were critical to the penetration of Broadband/Internet services and to IT and IT Enabled Services.
- d. This measure would also promote level playing field in the industry.
- e. The Authority was convinced that such a regulation of tariff would not hamper investment.

The Authority stated that internationally also, it was common practice for the tariff to be regulated until competition develops in the market to a level where a Regulator could safely withdraw and allow forces of competition to impose effective market discipline on prices. The ceiling tariffs were determined on the basis of the Historical Cost of the incumbent adopting the Top-Down approach.

The salient features of the tariff fixed vide this Amendment (39th) to the Telecommunication Tariff Order were as:

- a. The ceiling tariff of IPLC (Half Circuits) in respect of E-1, DS-3 and STM-1 capacities were Rs. 13 lakhs, Rs. 104 lakhs & Rs. 299 lakhs per annum respectively.
- b. These ceiling tariffs would result in a reduction of 29%, 64% & 59% in tariffs for E-1, DS-3 and STM-1 capacities respectively {as compared to the existing listed price prevalent in the market for India – USA (Atlantic route)}.

- c. The prescribed ceiling tariff would be applicable for all destinations, capacities and types of cable systems used for carrying either voice or data.
- d. The ceiling tariffs prescribed by this Order would be effective from 16/9/2005.

B. The Telecommunication Tariff (Fortieth Amendment) Order, 2005 (7 of 2005)

On **September 12, 2005**, M/s Videsh Sanchar Nigam Limited challenged the Telecom Tariff (39th Amendment) Order of TRAI in Hon'ble TDSAT vide Appeal No. 10/2005. After hearing, the Tribunal ordered that the impugned notification be kept in abeyance till a decision was given.