COAI Monthly Bulletin, August 2005

September 16, 2005, New Delhi

1. Subscriber Numbers for August 2005

A. GSM Subscribers

For the second successive month, the GSM industry reported record subscriber addition of **2.04 million** in August 2005 to reach the subscriber base of **48.92 million**. Subscriber additions in August surpassed last month's record additions of 1.95 million subscribers.

Circle A, B and C subscribers grew by 3.32%, 6.07% and 7.38% respectively over the previous month while the Metro subscribers grew by 2.76%. Metros constitute 25.08% of the total market, whilst Circles A, B and C constitute 35.62%, 32.13% and 7.13% of the total market respectively.

Delhi continues to be the leading cellular market with 4.56 million subscribers accounting for 9.32% of the total market and 37.16% of the metro market. Mumbai closely follows Delhi with 4.38 million subscribers accounting for 8.95% of the total market and 35.7% of the metro market. In Circle A, Maharashtra leads the market with 3.98 million subscribers accounting for 22.8% of the Circle A market. In circle B, Punjab leads the market with 3.29 million subscribers accounting for 21% of the Circle B market. In Circle, Bihar leads the market with 1.28 million subscribers accounting for 36.7% of the Circle C market.

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

Sl No.	Company	No of Subscribers (In Mn)		% Market Share		Service Areas
		July'05	August'05	July'05	August'05	
1.	Bharti	12.78	13.41	27.28%	27.41%	23
2.	BSNL	10.72	11.32	22.88%	23.14%	21
3.	Hutch	8.84	9.29	18.87%	18.99%	13
4.	IDEA	5.72	5.88	12.22%	12.02%	8
5.	BPL	2.69	2.75	5.75%	5.62%	4
6.	Aircel	1.93	2.01	4.13%	4.11%	2
7.	Reliance	1.49	1.55	3.18%	3.19%	8

8.	Spice	1.49	1.48	3.20%	3.03%	2
9.	MTNL	1.16	1.22	2.49%	2.49%	2
	TOTAL	**46.87**	**48.92**	**100.00%**	**100.00%**	

As always, in August'2005 too, **75%** of all new mobile subscriber chose GSM thus **demonstrating and reiterating the fact that GSM continues to be the predominant driver of growth of the Indian mobile** telecommunications market. This is also evident from the fact that 79% of the mobile market share is constituted by GSM. This is in consonance with global trends, where also, GSM market share is continuously rising since even now, 80% of all new subscribers chose to adopt the GSM standard.

B. CDMA Mobile Subscribers

The total cumulative all India CDMA subscriber base rose by 0.69 million from 12.34 million in July 2005 to 13.03 million in August 2005, representing a growth of 5.59% 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
		July'05	**August'05**	**July'05**	**August'05**	
1.	Reliance	10.647	11.134	86.28%	85.42%	20
3.	TATA	1.605	1.810	13%	13.89%	20
5.	HFCL	0.060	0.062	0.49%	0.48%	1
6.	Shyam	0.028	0.028	0.23%	0.22%	1
	TOTAL	**12.34**	**13.034**	**100.00%**	**100.00%**	

Source: AUSPI

2. Spectrum Issues

A. Discriminatory Treatment of GSM Operators in setting up Cellsites Imposing Additional Capex and Opex Burden on GSM

In an ongoing effort, COAI vide its Letter No. TVR/COAI/147 dated **September 2, 2005** to DoT on prevalent spectrum practices, drew its attention to the discriminatory treatment being meted out to the GSM operators vis-à-vis the CDMA operators.

COAI pointed out that as per present spectrum allotment criteria, CDMA operators were permitted to get away with inefficient utilization of their allotted spectrum by setting up less than half the cellsites as compared to GSM. The CDMA operators had set up less number of cellsites and were seeking additional spectrum rather than investing in cellsites to increase the efficient utilization of existing allotments.

COAI submitted that this incorrect and unfair demand of the CDMA operators would give CDMA operators carte blanche to use their spectrum inefficiently and also result in a huge and unjustified anti competitive advantage over GSM players. COAI also opined that in an environment where mobile sector was driving the growth of teledensity, the pressure on spectrum could be expected to be enormous. Under these circumstances, it was imperative that each MHz of spectrum be used as efficiently as possible, otherwise it would be wastage of a scarce national resource.

In light of the above, COAI requested the Government to ensure that spectrum allotted to each operator, whether GSM or CDMA, was fully utilized to its maximum potential capacity, before considering additional spectrum assignment to any operator.

B. Letter to Planning Commission & Ministry of Finance

On **September 1, 2005**, COAI wrote to the Planning Commission and the Ministry of Finance vide its Letter Nos. TVR/COAI/144 and TVR/COAI/145 respectively, to express the concerns of the GSM industry with respect to the discriminatory spectrum practices which were hugely disadvantaging the GSM players vis-à-vis CDMA. It was submitted that the GSM operators were discriminated in respect of:

a. **Spectrum Usage Charges –** There was a subsisting anomaly in the spectrum usage charges being paid by the GSM operators vis-à-vis CDMA counterparts. To serve the same subscriber base of 10 lakh, GSM operators had to pay 4% of their revenue whereas CDMA operators had to pay only 2%. This double levy was not only inequitable but also unfairly burdened the GSM operators with higher costs.

b. **Capacity Utilization of Assigned Spectrum –** As per present spectrum allotment criteria, CDMA operators were permitted to get away with insufficient utilization of their allotted spectrum by setting up less than half the cellsites as compared to GSM. This led to an unjustified anti-competitive advantage for the CDMA players.

COAI submitted that the above issues should be redressed to ensure that both technologies were assured level playing field.

C. Report of the Government Committee on Spectrum

COAI vide its Letter No. TVR/COAI/133-A dated **August 24, 2005** to DoT, expressed its concerns on media reports regarding the proposed recommendations of the Government Committee on Spectrum. Some of the concerns raised were:

a. The subscriber linked spectrum assignment criteria had been relaxed further for CDMA and made more stringent for GSM.
b. The Committee disregarded all the data and calculations submitted by COAI to demonstrate that with equal investments in infrastructure. CDMA operators should invest on infrastructure to efficiently use the existing spectrum.
c. The recommendations gave CDMA operators an over 100% advantage as it required them to set up less than half the number of cellsites compared to GSM operators.
d. Setting up equal number of sites should not be an issue for CDMA as inter site distances of less than 500 meters were commonly deployed in CDMA networks in Hong Kong, Tokyo, Bangkok, etc.
e. Capacity enhancement techniques were available to both GSM and CDMA, GSM operators deployed several of them as compared to CDMA operators.
f. The lenient subscriber criteria for CDMA had several adverse implications for GSM which would create serious non-level playing field between GSM and CDMA operators as it would:
    I. Give CDMA operators an ongoing capex/ cost advantage over GSM.
    II. Allow CDMA operators to continue to use their spectrum inefficiently.
    III. Allow CDMA to spare a separate carrier to offer 3G/ EVDO services, facilitating their selective and preferential backdoor entry into 3G.
g. The Committee did not address the disparity in spectrum usage charges paid by GSM and CDMA operators.
h. There was ambiguity regarding the pricing of 3G spectrum as on one hand, the Committee did not favour auction of 3G spectrum whereas on the other it did not rule out bidding.

In light of the above concerns COAI reiterated its submissions:

a. The subscriber linked criteria for GSM and CDMA operators must be based on the same set of parameters/ assumptions with respect to inter alia traffic per subscriber, inter-site distances, utilization of capacity enhancing techniques, etc.
b. Level playing field must be maintained by ensuring the simultaneous evolution of both GSM and CDMA operators to 3G services.
c. The incremental revenue share approach adopted by the Government should be applied to both GSM and CDMA operators and it should not be that one set of operators had the freedom to use spectrum inefficiently; whilst the other was required to a stringent set of usage norms and charges.
d. It was absolutely crucial that the 2.1GHz spectrum be coordinated and made available to all contenders at one-go so as to avoid bidding at all costs and to ensure that all the operators get a simultaneous evolution to 3G.

D. Use of 700MHz Band for Mobile Services

COAI vide its Letter No. TVR/COAI/133 dated **August 23, 2005** to DoT, submitted its comments on the use of the 700MHz band for mobile services. COAI's comments were as follows:

a. As per NFAP 2002/ Draft NFAP 2005, the Allocation Table indicated that this band was earmarked for Fixed/ Mobile/ radio Navigation.
b. Presently, this band was being used by Doordarshan/ Defence.
c. Any consideration of this band would be futile unless this band could be vacated and made available in the short term to meet the immediate requirements of the industry.
d. It was first important to assess the availability of 600 / 700 MHz from the existing users as also the time frame during which it would be made available for the mobile services.
e. Then it was important to assess the co-existence / compatibility of the existing system from the interference potential point of view.
f. It was also important to examine use of this band from the viewpoint of protection of existing users as well as potential users for futuristic services.
g. This band was essentially used for enhanced mobile services, it might be important to assess the impact of using this band on future growth of such services as also its effect on international broadcasting.

COAI stated that once the groundwork had been carried out, it would be important for India to propose this band arrangement to ITU for coordination/ harmonization. This could be expected to take at least 6 to 7 years. In the meantime it was important for India to stay with the international consensus globally harmonized bands that were earmarked by ITU for mobile services. It would certainly be undesirable for India to isolate itself by adopting a band plan that would be an India specific arrangement not followed by other countries in the world. This would also create uncertainty for operators, vendors and investors.

Thus, COAI suggested that the consideration of the 700MHz band should be for introducing enhanced mobile services over the medium and long term and should be done while staying within the framework of frequencies/ frequency arrangements earmarked by ITU for mobile services.

3. TRAI Study Paper on Quality of Service of Cellular Mobile in LUTYENS' And NDMC Areas of Delhi.

On **September 1, 2005**, TRAI issued a Study Paper on mobile coverage in NDMC areas and Lutyens' Bungalow Zone (LBZ) areas of Delhi. The results of the paper highlighted that there were insufficient number of cell sites in the LBZ and NDMC areas of Delhi due to which certain problems were encountered in call connections.

4. TRAI's Show Cause Notice on Publication/ Advertisement of Tariffs

In response to TRAI's show cause notice to the Members on violation of TRAI Direction dated 2/05/2005 regarding publication/ advertisement of Tariffs, COAI wrote to TRAI vide its Letter No. TVR/COAI/445 dated **August 31, 2005**.

COAI submitted that advertising was a core marketing function and was keeping in mind the occasion and the message to be conveyed to the target audience. It was also stated that the primary principle of effective advertisement was to reduce clutter. Too much information did not serve any purpose and instead confused the customer and caused him to repeatedly call the customer care centers for further details. COAI also stated that all advertisements were not price or tariff related and it would not be practical or feasible to include tariff information in all such advertisements.

COAI further submitted that to be in line with the global practices, the issue of advertisements should be left to the market and should not require regulatory concern.

5. Introduction of Mobile Number Portability

A. TRAI Consultation Paper

TRAI issued its Consultation Paper on Mobile Number Portability on **July 22, 2005**. The Paper raised various issues for consultation including the concept of number portability, its different types, technical, operational and economic issues and international experiences.

B. COAI's Letter to TRAI

In respect of TRAI's Consultation Paper of issues needed to be examined before considering introduction of MNP COAI vide its Letter No. TVR/COAI/138 dated **August 29, 2005** to TRAI, made a few preliminary submissions.

COAI opined that number portability was a complex and a costly exercise and required a detailed study. COAI was looking at commissioning an expert agency and it also proposed to the Authority to do the same. Meanwhile, COAI made some preliminary submissions as given below:

a. The Consultation Paper did not seek to determine whether mobile number portability should be introduced at the present juncture.
b. The Consultation Paper must include an evaluation of costs, impact and implications vis-à-vis the benefits of introducing this facility.
c. The Consultation Paper has discarded the option of introducing fixed number portability as despite Number Portability was needed more in the fixed sector.
d. It was thus apprehended that the introduction of MNP was being considered not because it was necessary but merely because, it was easy to implement.
e. This was also contrary to the international practices where FNP was introduced before MNP.

COAI also submitted that consultation on number portability should inter alia deal with the following fundamental issues:

a. Should number portability at all be introduced in India at this stage?
b. Should FNP be introduced before MNP?
c. What are the costs associated with the introduction of this facility? Who would bear the initial cost? What is the impact of these costs on the tariffs for end-users?

d. How successful had number portability been in the regimes where it had been introduced?

COAI believed that an expert report would give valuable inputs on how to proceed forward in this matter and opined that such an exercise would take at least 4 months. Thus, COAI requested the Authority to keep this issue pending till the time an expert report could be produced on the matter.

C. COAI's Letter to DoT

COAI vide its Letter No. TVR/COAI/130 dated **August 17, 2005** to DoT, submitted 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.

In light of the above, COAI opined that the potential costs involved would outweigh the perceived benefits. COAI also stated that it was a consumer-unfriendly proposal, as it would actually increase the end-user price. COAI thus requested the Government to keep this issue pending until the country was able to achieve a teledensity, which was in line with world averages.

6. Simplification of SACFA Procedures

In an ongoing attempt regarding simplification of SACFA procedures, COAI vide its Letter No. TVR/COAI/143 dated **August 26, 2005** to DoT, made the following submissions:

a. Cut down the delay in getting SACFA approval as it was adversely affecting rollout and also prohibiting the operators to approach TEC for network testing and get the TEC certificate.
b. SACFA IDs provided by SACFA Secretariat to be taken as provisional approval of the SACFA, enabling operators approach TEC for network testing.
c. Since there had been huge delays in getting the SACFA approvals, which was beyond the control of the operators, the requirement to pay Liquidated Damage should be waived off.
d. Simplification of procedures for obtaining the AMSL from Survey of India (SoI).
e. Permit Self-Attestation/ Verification of the data for obtaining AMSL.

COAI believed that resolution of these issues would help the operators to achieve the desired vision of the Government of reaching 250 million subscribers by 2007.

7. TRAI Directive dated June 19, 2005 on Tariff Plan Information

TRAI vide its Letter No. F.No.305-8/2004-QOS dated **August 19, 2005** informed that COAI submissions on the subject matter were considered and the Authority did not feel the need for revising its Direction dated 29th June 2005 on tariff plan information.

A. COAI writes to TRAI

COAI vide its Letter No. SN/COAI/118 dated **August 25, 2005**, to TRAI submitted that the implementation of this directive was extremely cost incentive and the service providers would to incur very high expense to ensure compliance. Moreover, it might also not be practical and operationally feasibly to ensure implementation of this Directive. COAI also expressed that the service providers ensured that the subscribers were fully informed regarding the tariffs at the time of enrollment and further updates were provided to customers by means of SMSs, website update, monthly bills and publication of advertisements.

In this regard COAI requested for a meeting with the Authority to discuss the concerns and issues involved in implementing the Directive.

B. Meeting with TRAI

A meeting regarding the TRAI Directive on tariff information was held on **September 6, 2005**, in the TRAI office.

The member companies stated that they were already informing the subscribers regarding the complete details of the tariff plans at the time of enrollment. It was explained that the subscriber himself chose tariff plans at the time of enrollment/ filling up the subscriber acquisition form, which was then duly signed by the customer himself. The subscriber was thus fully aware of the tariff plan opted for by him and there was thus no need to inform the customer further in writing within a week of activation of service. Companies were therefore complying with part (i) of the Directive.

It was thus agreed that for part (i) of the Directive the members would submit a compliance report to TRAI stating that since they already furnishing full tariff details to the subscribers at the time of enrollment and getting his signature against the chosen tariff plan they were complying with the TRAI Directive.

For part (ii) of the Directive, Members explained to TRAI that any change in any item of the tariff plan implied a new tariff plan. Moreover if there was any uniform increase, because of any policy changes such as IUC / ADC charges across the board for all tariff plans, the same were intimated to the subscribers by way of revised charges in the monthly bill. Thus, for part (ii) of the Directive it was decided that there was no need to send a separate communication to the customers. In view this, a compliance report pertaining to part (ii) of the directive is not required.

8. India One

COAI vide its Letter No. TVR/COAI/132 dated **August 23, 2005** to DoT, welcomed the initiative of the Government to examine the possibility of offering more affordable services to Indian consumers by considering an India One tariff for telecom. COAI requested the Government to provide a Position paper on this concept to give a clear understanding on the subject so as to enable the Association to submit a more comprehensive response.

Pending receipt of a detailed position paper in the matter, COAI made a few submissions for consideration of the Government:

a. Indian market was intensely competitive due to presence of 6-8 operators in every service area resulting in local/ intra circle call tariffs that were the lowest in the world.
b. No measures to be taken that would raise these tariffs, as it would be against the interests of the consumers.

c. Local call and long distance rates should not be merged as this would mean higher intra circle call rates or lowering inter circle tariffs which would be financially unfeasible and make operations totally unviable.
d. The India One proposal should only deal with inter circle long distance calls to facilitate simplicity, convenience and affordability.
e. For introduction of this concept, inter circle connectivity across all service areas would be a pre-requisite. This would require licenses to be reviewed and amended.
f. Since licensing is done on a circle wise basis, all inter circle calls should be treated as off-net calls.

COAI also submitted that while maintaining difference between inter and intra circle calls for the success of India One, a number of policy and regulatory initiatives were required.

a. Review of IUC Regime to make it more cost reflective

I. There was an urgent need to review the mobile termination charge, which as of now was not only significantly below cost but also out of line with international practices.
II. In order to ensure spread of affordable mobile services there was a need to remove the anomaly of low MTC that existed in India.
III. With 70% of the traffic being incoming on a mobile phone, a below cost MTC would result in continuously rising volume of subsidy on incoming calls.
IV. Carriage charges not in line with the costs and a reduction was required in order to arrive at cost based carriage charge.
V. Merge ADC and USO regimes and adopt a Hybrid Revenue share system with a higher burden on incoming ILD calls, which would devolve on the Foreign ILD operators.
VI. Contribution to ADC as a %age of revenue share by all telecom service providers to ensure level playing field.

b. Review of Cost structure of the industry required

I. Reduction in license fee revenue share to 6% of AGR
II. Reduction in spectrum usage charges
III. Review of the need to have various Bank Guarantees

9. Technology Workshop

COAI organized a Technology Workshop on “ 3GSM (WCDMA) Vs Wi-MAX on **August 23, 2005** at Hotel Le Meridien, New Delhi. Mr. Kanwalinder Singh, President, India & SAARC, Qualcomm delivered the Keynote Address on the status of 3G around the world and how the growth of 3G will be driven in the future.

Dr. Rao Yallapragada, Senior Director, Qualcomm Inc. made a presentation on the technology options for Broadband Wireless Access. he assessed the spectral efficiency of different technologies and also presented some economic analysis and market opportunities of these technologies.

Mr. Anil Nayar, Chairman COAI also addressed the gathering. The Vote of Thanks was given by Mr. TV Ramachandran, Director General COAI.

10. Celebrating 10 Years of GSM Mobile Telephony in India

On the occasion of completion of 10 years of GSM Mobile Telephony in India, Mr. T.V.Ramachandran, Director General, COAI presented a paper on the "Role of Mobile Telephony in Growth and Development of the Economy" during a celebratory function in Kolkata on **August 19, 2005**. The presentation highlighted the sharp growth of wireless and the significantly increasing share of GSM worldwide as well as in India. Mr. Ramachandran also dealt with issues related to private operators' participation in meeting the teledensity objectives, providing affordable services to all and the potential of the cellular industry and the measures to be taken to achieve the potential. He also opined that evolution of new technologies would benefit the industry.

A copy of the presentation can be obtained on request from the COAI Secretariat

11. COAI Report on ARPU / Revenue Analysis for Private GSM Operators for the 1st Quarter of the Financial Year 2006

The COAI released its ARPU / Revenue Analysis for Private GSM Operators for Q1 of the Financial Year 2006 (April to June 2005) on **August 16, 2005**.

The highlights of the report were:

a. Private GSM Mobile Operators recorded a growth of 5.7% in the revenues in the first quarter of the current financial year (Apr. to June 05). The Adjusted Gross Revenues increased from Rs 3,557 crs for quarter ending March 05 to Rs 3,760 crs for the quarter ending June 05.

b. On a year on year basis, the first quarter of the current financial year (Apr to June 05) witnessed a 43% rise in revenues as compared to the first quarter of the previous financial year (Apr to June 04). The revenues of private GSM mobile operators rose from Rs 2,626 crs for Apr to June 04 quarter to Rs 3,760 crs for Apr to June 05 quarter.

c. Despite an increase in the Adjusted Gross Revenue, the private GSM industry witnessed a fall in ARPU/ subscriber. The average industry ARPU declined from Rs 401 for the quarter ending March 2005 to Rs 390 for the quarter ending June 2005; a decline of Rs 11 per subscriber (a decline of 3%).

d. This marked a steep fall in ARPU as compared to the previous financial year during which the ARPU remained stable at around Rs 400 levels.

e. One factor contributing to the decline in ARPU could be the fact that many of the existing Service providers recently expanded their networks across India thereby resulting in greater competition and hence a further fall in tariffs – which were already at rock bottom levels as compared to international standards.

f. In the Apr. to June 05 quarter, Delhi circle had the highest ARPU at Rs 491 followed by Mumbai at Rs 484. While in case of Delhi there was a fall in ARPU by 4.5%, the ARPU in Mumbai stayed more or less stable (marginal rise of 0.2%). Among the metros, Kolkata recorded an increase in ARPU by 3% to Rs 427.

g. Among **Category A circles**, Karnataka recorded the highest ARPU at Rs 466 followed by Gujarat at Rs.420. However, both Karnataka and Gujarat witnessed a fall in ARPU by 2.7% and 4% respectively.

h. Among **Category B circles**, Rajasthan had the highest ARPU at Rs 381 (a decline of 3.7% over the previous quarter) followed by Punjab at Rs.335 (a rise of 1.4% over the previous quarter).

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