

January 27, 2004

1. Review of Frequency Allocation Plan

The NFAP 2002 review in the 806-2700 band was held on January 9, 2004. COAI has emphasized that the written inputs given by COAI may be considered for revision of NFAP whenever feasible. It was also mentioned that no changes were needed in the present NFAP 2002 provision regarding IMT 2002, 890-915/935-960 MHz band and in the 1710 – 1785 / 1805 – 1880 MHz bands. However, ABTO has insisted for a re-drafting jointly to be done by COAI/ABTO with regard to certain modifications in provisions IND48 & IND 51.

2. Implementation of IUC Regulation & ADC

In a submission to TRAI on Issues Relating to Routing, POIs & Numbering in the Unified Access Regime, COAI vide its Letter No. SN/COAI/289 dated December 5, 2003, submitted the following :

- **Numbering** – Unified Access Licensees providing mobile services be allotted levels reserved for cellular mobile services
- **POI** – if BSOs who have migrated to UASL, continue to deliver/pick up calls at the SDCA level, then to ensure level playing field, either they should be levied a carriage charge of 20p per minute or CMSPs delivering calls at Level II TAX should be exempt from paying the same.
- **Routing** – BSOs who have migrated to UASL should follow the same routing as CMSPs & calls between Mumabi & Rest of Maharashtra, between Kolkata & Rest of West Bengal and between Chennai & Rest of Tamil Nadu should be treated as inter-circle calls, permitted only through an NLDO. Furtherin case of more than one Level I TAX in a service area, inter-circle calls should be allowed via both Level I TAXs rather than through only one Level I TAX as is the case at present.

In a submission to TRAI on its clarifications in the matter of IUC Regulation & ADC, COAI vide its Letter No. TVR/COAI/190 dated December 26, 2003 submitted the following :

- Termination charges for ILD calls should be increased as ILD tariifs can support a higher termination charge
- CMSPs should be allowed to retain a percentage of ADC towards cost of collection & bad debts
- There should be no separate levy for port charges – this cost may be included in the IUC
- There should be equitable treatment of all mobile subscribers in respect of Level of POI
- Billing payments with BSNL should be on a reciprocal basis
- Calls without CLI should be permitted & a local termination charge must be paid, etc

3. Financial Strain on 1st & 2nd Circle Cellular Licensees

Price Waterhouse was commissioned to carry out a fast track study on the subject. Highlights of the findings of the Report were :

- Networth of companies was completely / substantially eroded as of March 31, 2003.
- Companies generally had a debt service ratio lower than one, reflecting inability to service their debt repayments & related costs for year ended March 31, 2003.
- Amortised entry fee accounted for 31% of aggregated accumulated losses and together with interest charges on funding of entry fee, comprised 71% of aggregated accumulated losses.

- Unamortized entry fee comprised 55% of aggregated accumulated losses
- Accumulated losses of companies were significantly attributable to the entry fees

4. Unified Licensing Regime

COAI responds on December 6, 2003, to TRAI Preliminary Consultation Paper on Unified Licensing. Highlights of COAI response were :

- **Ambit** - All facilities & services should be permitted under one single unified telecom license.
- **Registration charges** - Nominal, to cover only cost of issuing the license.
- **Existing Operators** - Entry fee paid by existing operators should be divided into a registration charges & a separate fee for spectrum. Once registration charges are determined, existing operators must be equated around this benchmark & suitable adjustments must be made. In case of spectrum, no operator must be worse off in the new regime.
- **Spectrum Usage charges** – to only cover costs of administration & regulation of this resource.
- **Service Area** - a two-tier approach - circle-wise licensing and all India licensing.
- **Direct Inter-Circle Connectivity** - **should** be permitted
- **USO** - BSNL may be given the status of default USO operator
- **Annual license fee** - only to cover USO levy & costs of administration & regulation
- **Competition Safeguards** - TRAI ensure that no operator enjoys a regulatory advantage over another player. TRAI must rigorously implement and enforce effective competition safeguards and accounting separation
- **Numbering** - if concept of WLL (M) is being abolished, then it may be desirable to go in for an LDCA based linked numbering scheme for fixed services. For cellular mobile service, the existing circle/MSC based numbering scheme should be continued.
- **Infrastructure sharing** - must be both permitted as well as encouraged.
- **Migration** - Existing licensees should have the option whether or not to migrate to ULR. However, it must be ensured that existing licensees are “no worse-off” under the new regime.
- **SMP** - There should be special provisions for SMP Operators.
- **FDI Limit** - should be unified at 74%.

5. Subscriber Numbers for December 2003

The all India GSM cellular subscriber base rose by 1.27 million in December to touch 21.99 million by end-December 2003, up from 20.7 million as of November end 2003, a growth of 6 per cent in the month under consideration.

The annual growth for the year (January to December 2003) was 97% as the cumulative subscriber base increased from 11.16 million in January end 2003 to 22 million by December end 2003.

The average growth was about 0.9 million subscribers per month. The trend picked up in the latter half of the calendar year, as subscriber additions have exceeded 1 million per month, touching 1.37 million in November and falling marginally to 1.27 million in December 2003.

Delhi continues to be the leading cellular market with 2.93 million subscribers accounting for 13.32% of the total market, closely followed by Mumbai with 2.5 million subscribers accounting for 11.36% of the total market. Thus these two metros alone accounted for one quarter of the country's total subscriber base.

Looking at the Group wise performance, Bharti continues to lead in the market with 5.5 million subscribers, followed by BSNL with 4.76 million subscribers and Hutch with 4.12 million subscribers. A summary picture of the company wise performance is given below

Group	No. of Subscribers (in MLN)	No of Service Areas
1. Bharti	5.50	15
2. BSNL	4.76	20
3. Hutch	4.12	10
4. Idea	2.24	5
5. BPL	1.54	4
6. Spice	1.05	2
7. Escotel	0.83	3
8. Reliance	0.67	7
9. Aircel	0.52	1
10. MTNL	0.33	2
11. RPG Cellular	0.23	1
12. Hexacom	0.20	1

6. Duty Reductions

In a surprise announcement on January 9, 2004, import duties on the cellular sector were revised downwards as below :

- a. Aerials & Antennas: from 32.7% to **21.8%**
- b. Cellular Phones: from 14.4% to **5%**
- c. Cellular infrastructure for operators: from 21.8% to **16%**
- d. Basic infrastructure for operators (MSC switch): from 38.74% to **33.4%**

7. Definition of AGR

A representation was sent in the matter to the Hon'ble MOC vide letter No. TVR/COAI/002 dated January 13, 2004 requesting the Hon'ble MoC to review the definition adopted by the Licensor and to instead follow the definition that had been repeatedly recommended by TRAI.

8. Meeting with Chairman, TRAI

Chairman and Vice Chairman of COAI called upon Chairman, TRAI on January 14, 2004. The meeting was a general introductory call by the new COAI team. During the meeting, there was a general discussion on a gamut of issues including :

- Issues related to IUC & ADC
- Holistic implementation of IUC
- Request for Direct Inter-Circle Connectivity
- Definition of AGR
- Permission to share active infrastructure
- Withdrawal of BSNL's RIO Petition in TDSAT, etc.

A record note on the discussions has been issued separately.

9. Withdrawal of Challenge to Limited Mobility & Unified Access Licensing

In December 2003, the industry entered into dialogue with the Government with regard to the severe financial strain confronting the GSM industry, particularly the 1st and 2nd Operators in the circles. The Government acknowledged and appreciated the industry's concerns and assured the industry that they would sympathetically consider the same. To create a suitable climate for the same, the COAI committed to withdraw its ongoing litigation in the Supreme Court concerning the challenge to WLL (M) and the unified access license regime. The application for withdrawal of the appeal was filed on January 6, 2004. The matter came up for hearing in Supreme Court before Hon'ble Mr. Justice Y.K. Sabherwal & Mr. Justice A.R. Lakshmanan on January 13, 2004. The Hon'ble Supreme Court accepted COAI's application for withdrawal and the matter was dismissed accordingly.

10. Blocking of Transit Call Traffic

Matter came up for final hearing on January 7, 2004 at TDSAT. Based on the letter written by COAI & individual operators to TRAI, the TRAI agreed to withdraw prosecution proceedings against CMSPs. Accordingly, the case stands withdrawn.