

**TELECOM REGULATORY AUTHORITY OF INDIA**

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**( 8<sup>th</sup> April 2005)**

**Unprecedented Growth in Telecom Services continues during  
Financial Year 2004-2005.**

- **Mobile Subscribers Base increases from 33.6 million to more than 52.1 million during the year, thus adding 18.5 million mobiles.**
- **Reduction in Mobile Tariffs by 35% during the year - India now offers cheapest mobile tariffs in the world.**
- **International Leased Line (IPLC) Charges decreased by 35 % for low capacity and 70 % for higher capacities.**
- **DOT issues Broadband Policy 2004 leading to above 1 lakhs Broadband connections initially.**
- **TRAI won the Asia Pacific Regulator of the Year Award 2004.**
- **TRAI becomes ISO 9001:2000 certified organization.**

**A. Growth Trends:**

***Fixed / Mobile Telephones:***

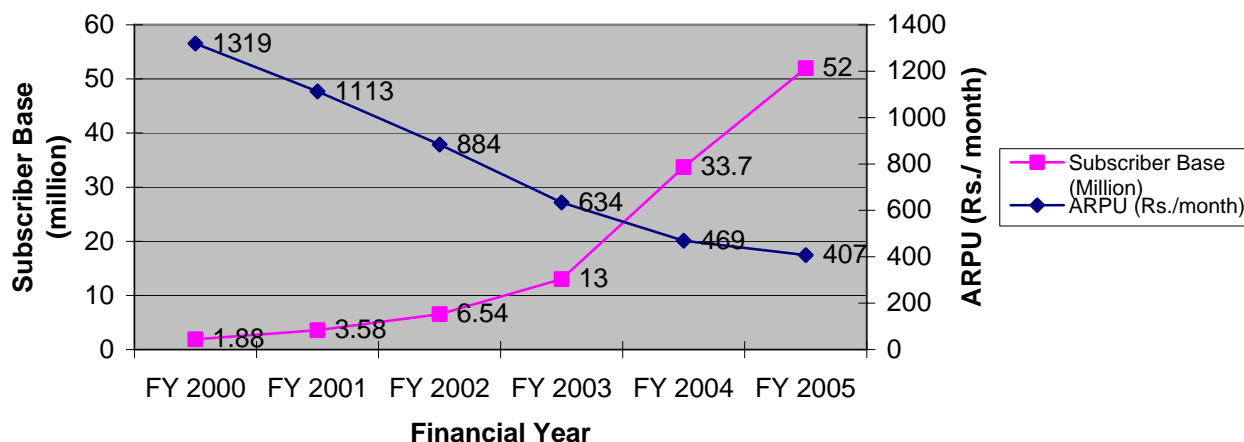
1. Telecom Services sector has shown unprecedented growth during the Financial Year 2004-05, mainly driven by intense competition and aggressive pricing.

The growth of fixed and mobile subscribers during 2004-2005 in comparison to earlier years is shown below (in million):

<b>Service</b>	<b>March 2003</b>	<b>March 2004</b>	<b>March 2005</b>	<b>% age growth during the year</b>
1.Fixed including WLL (F)	41.48	42.58	45.9	8
Mobile including WLL(M) (CDMA + GSM)	13.00	33.58	52.17	55
<b>Gross Total</b>	54.48	76.16	98.08	29

It is expected that 100 million mark would be achieved by end of April 2005.

### Growth of Mobile Subscriber base with reducing ARPU



2. During March 2005, 0.73 million new mobile subscribers have been added, thereby taking the total of mobile subscribers to 52.17 million at end of March 2005. The monthly growth of mobile subscribers for last 12 months in comparison to that for previous years is shown as follows:

(In Million)

Year/ Month	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
<b>2002-03</b>	0.28	0.29	0.35	0.36	0.49	0.37	0.53	0.72	0.8	0.73	0.79	0.95	6.58
<b>2003-04</b>	0.64	2.26	1.42	2.31	1.79	1.61	1.67	1.90	1.90	1.64	1.67	1.91	20.72
<b>2004-05</b>	1.37	1.33	1.43	1.74	1.67	1.84	1.51	1.56	1.95	1.77	1.67	0.73	18.57

3. The number of mobile subscribers has already exceeded fixed subscribers in the country during October 2004.

4. The tele-density during the year increased by 1.91, the year 2004-05 ending up with the tele-density of 9.08 as compared to 7.17 at the end of previous year. Tele-density increase during 50 years from 1948 to 1998 was only 1.92 %.

5. The ratio of the subscriber base of private sector companies to that of public sector companies is 46:54. If the same growth pattern continues, the share of private companies is likely to exceed that of public companies by December 2005.

### **Internet / Broadband:**

6. During the year, the subscriber base of Internet Services has increased from 4.55 million to 5.65 million showing a growth of 25 %.

7. On the basis of TRAI's recommendations, the Government announced "Broadband Policy 2004" with the objective to accelerate the growth of Broadband and Internet services. Broadband Policy has set a target of 20 million broadband subscribers at the end of year 2010, which will be 50% of the total Internet subscriber base in the country. As on year ending 2004-05, the number of Broadband subscribers (with a download speed of > 256 Kbps) has exceeded 1.0 lakhs.

The growth pattern of various types of Internet subscribers for last two years is shown below:

(in million)

	<b>Mar'03</b>	<b>Mar'04</b>	<b>Growth rate 2003-04</b>	<b>Mar'05</b>	<b>Growth rate 2004-05</b>
Internet	3.64	4.55	25 %	5.60	25 %
High-speed 'Always-On' connections (<256 Kbps)	0.08	0.19	137.5 %	0.65	240 %
Broadband (>=256 Kbps)				0.10	

### **B. Tariff Trends:**

1. During the year tariffs for all telecom services have shown a significant downward trend.

2. According to an analysis, the minimum effective per minute charge for local outgoing calls for post-paid mobile service has come down from Rs. 1.90 in March 2004 to Rs.1.20 in March 2005 showing a decline of 35%.

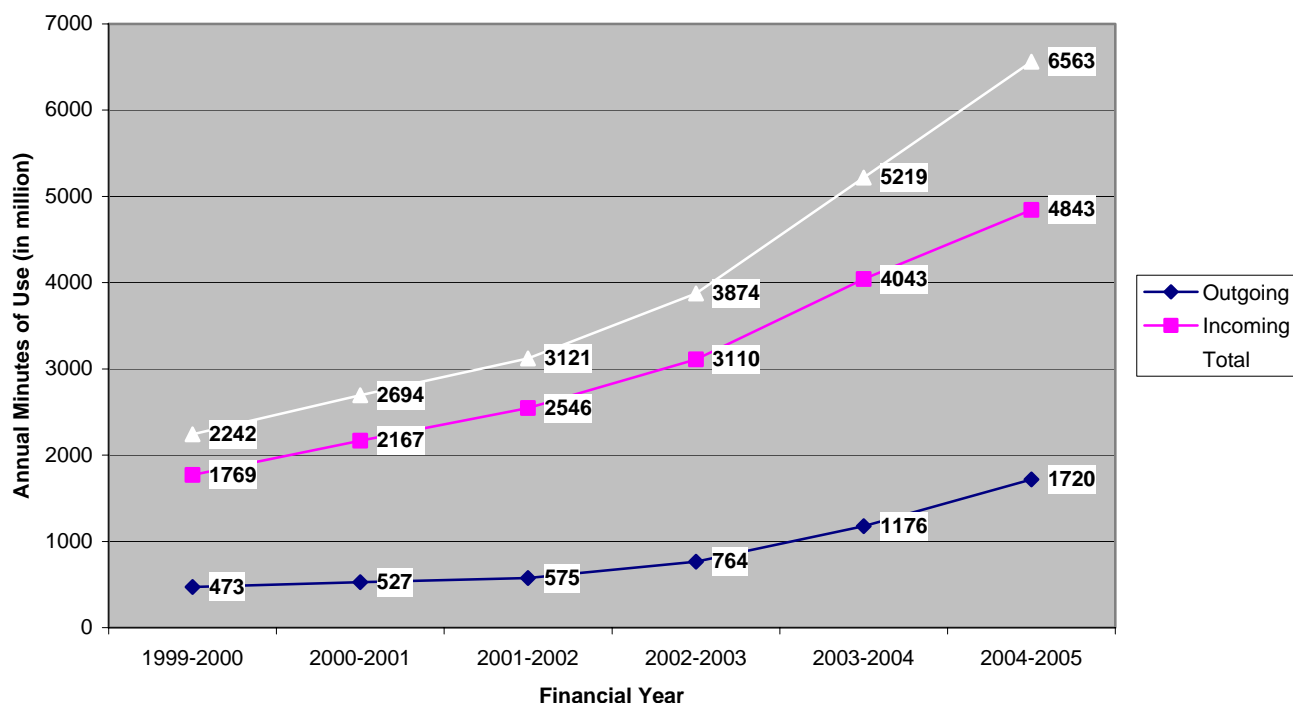
3. STD charges for all the distances beyond 200 Kms have been reduced by 33 % from Rs. 3.60 per minute to Rs. 2.40 per minute.

4. ILD charges have come down due to certain promotional tariff plans of International Long Distance Operators and also because of reduced ADC. Calls to USA, Canada and Europe cost in range of Rs. 7.20 per minute as against Rs. 9.60 per minute that prevailed during previous year registering a decline of 25 % during the year.

Service	Mar-03	Mar-04	Mar-05	% reduction during 2004-05
International long distance calls to US, Canada, Europe (Rs./min.)	24	9.60	7.20	25 %
STD charges for all the distances beyond 200 Kms (Rs./ min.)	4.80	3.60	2.40	33 %
Mobile Service [GSM & CDMA] (Effective charges in Rs. Per minute)	2.40	1.90	1.20	35 %

The increase in subscriber base numbers and reduction of tariff have resulted in high growth in ILD Minutes Of Use (MOU) for telephony as depicted below:

Annual International Long Distance MOU (FE 2000 to FE 2005)



5. The ceiling tariff for International Private Leased Circuits (IPLC) of E1 Capacity (2 MBPS) has been fixed at Rs. 13 lakhs per year indicating a reduction of about 35%

over the prevailing market price. The ceiling tariff for higher capacities i.e. DS3 and STM-1 streams for IPLC is fixed at Rs. 104 lakhs per year and Rs. 299 lakhs per year respectively, reducing these by 70% from the prevailing market price. This would be applicable from 1.4.2005 for all operators. For VSNL, the date of applicability would be 1.5.2005.

#### 6. **Broadband Tariff:**

The monthly tariff for Broadband connection ( $\geq$ 256 Kbps download) for an average usage of 50 hrs has reduced significantly during the year as following:

	<b>Dec'03</b>	<b>Mar'04</b>	<b>Mar'05</b>	<b>% Reduction during 2004-05</b>
Average monthly tariff for 256 Kbps download connection for 50 hrs usage (in Rs.)	1800	1000	500	50 %
Average monthly tariff for 100 Kbps connection for 50 hrs usage (in Rs.)	700	500	300	40 %

#### **C. Consumer Oriented Measures during the year:**

1. The Authority observed that the roaming tariff implemented by some operators for various distance slabs exceeds the prescribed limits and found the same inconsistent with the provisions of TTO / IUC Regulation. In view of this, the Authority directed all Mobile Service Operators that the roaming tariffs that are above the prescribed ceilings as explained above shall have to be reduced. This was complied with.

2. Taking into account the interest of consumers, TRAI directed all Cellular Mobile Service Providers (CMSPs) to inform the subscriber through SMS whenever they roam into another license area that they will be charged for the roaming facility only if they choose to either make or receive a call while roaming. Further, any fixed charges for roaming, such as roaming rental, should not be charged unless roaming is activated i.e., a call is either made or received by a customer while roaming. The SMS to inform the customer of the above conditions shall not be charged.

3. With a view to facilitate informed choice for the subscribers. TRAI has mandated the telecom operators to provide certain minimum essential tariff

information while advertising tariffs. The operators have also been directed to give entire details of tariff plans alongwith the financial implications for different usage patterns in their websites.

4. TRAI notified the 31st Amendment to the Telecommunication Tariff Order (TTO) 1999 mandating minimum validity period of 6 months for tariff plans offered by the Access Providers from the date of enrolment of the subscriber to the tariff plan. The amendment protects the subscribers from any increase in tariffs during the said 6 months period and at the same time the service provider shall be free to reduce tariffs at any time. The subscribers in the said tariff plan shall be free to choose any other tariff plan, even during the said 6 months period. The service providers are also mandated to accept and implement all such requests for change of plan immediately or from the start of next billing cycle. The new provisions will ensure that the service would be available to the subscriber for the chosen price level at least for a period of six months and also make the migration of the subscribers from one plan to another more transparent and consumer friendly.

TRAI also directed M/s Bharti & M/s Idea, the CMSPs, to immediately stop the levy of one time migration fees for migrating from one tariff plan to other from existing subscribers. They were also directed to refund such charges collected to its subscriber and also give wide publicity so as to enable the subscribers to avail the benefit of refund ordered by the TRAI.

5. Analysis of tariff plan- impact to consumers: During a consultative process, stakeholders had suggested that TRAI should launch some initiative on 'comparison shopping' front that would facilitate telecom users to make an informed choice of tariff plans to suit their requirement and affordability. TRAI commissioned a research study through The Energy and Resources Institute (TERI), New Delhi on this. TERI has since developed a web enabled software that can facilitate the consumer in identifying the most competitive tariffs given a particular usage pattern. The results of their study for mobile tariffs in Delhi and Mumbai have been published and available at TRAI website.

6. In the interest of the consumers, TRAI decided that in case any customer requests for itemized bills relating to long distance calls it shall be provided free of charge. The prepaid customers already have the facility to ascertain the charges on a call-by-call basis without any extra charge. This decision of the Authority would

therefore extend this benefit to the billed customers i.e. the post-paid customers as well.

7. TRAI Announced a New Access Deficit Charge (ADC) Regime which would result into lower tariffs and linked high sustained subscriber growth, plans for consistent decline in tariffs to give sustained boost to subscriber growth and teledensity, result in lower prices for domestic consumers. In the New Access Deficit Charge (ADC) Regime the total ADC amount kept unchanged the per minute ADC has been decreased taking into consideration the exceptionally large increase in minutes that fund ADC. ADC regime has been simplified to help convergence and “death of distance”.

#### **D. Awards & Achievements:**

1. TRAI has won the Asia Pacific Regulator of the Year Award 2004 at the Frost & Sullivan Technology Awards Function in Singapore for creating a regulatory environment, which allows for creating rapid growth and investment in the sector while reducing uncertainty and discord. The initiatives of TRAI in the area of unified licensing, Internet, broadband and other areas were recognized. The panel also recognized TRAI's forward-looking policies, which has brought about greater stability in the Indian telecommunications market.

2. Telecom Regulatory Authority of India has obtained the Quality Management System Certificate License under ISO 9001:2000 from Bureau of Indian Standards, a national standard certification body of India, with effect from 1st December 2004. TRAI is one of the first few regulatory bodies in the world to obtain the quality management certificate license under ISO 9001:2000

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