



Telecom Regulatory Authority of India



**Consultation Paper on
Deactivation of SIMs due to Non-usage**

New Delhi, 30.11.2012

Mahanagar Door Sanchar Bhawan, Jawahar Lal Nehru Marg,
New Delhi - 110002

Index

Chapter	Description	Page No.
I	Introduction and Background	1-6
II	Analysis on the Issue of Deactivation of SIMs due to Non-usage	7-14
III	Issues for Consultation	15-16
	List of Acronyms	17
	Annexure-I	18-19
	Annexure-II	20-23

Stakeholders are requested to furnish their written comments to the Advisor (F&EA), TRAI by 21st December,2012. Counter-comments, if any, may be sent by 28th December,2012. Comments and counter-comments would be posted on TRAI's website www.trai.gov.in. The comments and counter-comments may also be sent by e-mail to raj.pal@nic.in. For any clarification/ information, Shri Raj Pal, Advisor (F&EA) may be contacted at Tel. No. +91-11-23230752 Fax: +91-11-23236650.

Chapter-I

Introduction and Background

A- Deactivation of SIMs

- 1.1. Mobile Number or MSISDN¹ is a number that uniquely identifies a subscriber on a mobile network. Simply put, it is the telephone number of a SIM card, which is placed inside a cell phone to connect to the network of a telecom service provider (TSP). A subscriber can make or receive calls only as long as his SIM card is active on the network of his TSP. Upon deactivation of the SIM from the network, his subscription to the TSP is removed and thus the Mobile Number associated with the SIM is rendered free.
- 1.2. The details of the subscribers i.e. identity of SIMs and their corresponding Mobile Numbers are kept in a central database viz. Home Location Register (HLR) of the TSP. While the HLR contains the details of all subscribers of the TSP, another database viz. Visitor Location Register (VLR) contains the details of only those subscribers which are currently in use in the home service area. If a SIM is not put to use for some pre-defined time, its identity and the corresponding mobile number are removed from the VLR. As a result, there is a difference in the number of subscribers in HLR and those available in VLR, at any point of time.

B- Allocation of Number Series to TSPs

- 1.3. The Department of Telecommunications (DoT) administers numbers for fixed and mobile telecommunication networks in India. As per National Numbering Plan (NNP), 2003, an additional number series was, earlier, being given to a TSP when his subscriber base i.e. number of subscribers in HLR reached 60% of the already allotted number series. However, vide its letter dated 26.07.2011, DoT has modified the criteria for allocation of additional number series from HLR data to VLR data i.e. at present, only those subscribers,

¹ MSISDN is an abbreviation of 'Mobile Subscriber Integrated Services Digital Network Number'.

which are currently in use, are counted for the purpose of allocation of a new number series. The letter of DoT in this regard is placed as **Annexure-I**.

C- Representation of TSPs regarding Deactivation of SIMs

- 1.4. During October – December 2011, the TSPs represented to TRAI that in view of DoT's revised criteria of allocation of number series on the basis of VLR data, the TSPs would have to manage the allocated number resources better in order to meet their growing business requirements and would have to follow a procedure of deactivating such SIMs, which remain inactive (idle or zero usage) for a certain period.
- 1.5. The TSPs contented that due to multi-SIM behavior (i.e., one customer subscribing to more than one SIMs), a large percentage of subscriber-base would not get registered on the VLR, however, the numbering resource would get blocked; Such numbers then could not be used for fresh acquisitions, unless a process of de-activation of such SIMs based on a non-usage criteria was followed.

D- Call for information from the access service providers on the issue

- 1.6. With a view to examine the issue, all the telecom access service providers were asked to provide the following information:
 - (i) Whether you are prescribing any criteria for the subscribers of lifelong/ lifetime/ long term validity plans to be 'active' on the network over a specified minimum continuous period to avoid deactivation due to non-usage. Give the date since when such a condition is being prescribed.
 - (ii) What is the specified minimum continuous period and what is the basis for fixing that specified minimum continuous period for deactivation of SIMs.
 - (iii) Define as to what constitutes 'activity' on the network the performance of which is considered usage.

- (iv) Provide circle-wise details of SIMs lying vacant/ without usage in excess of the specified minimum continuous period given by you along with the unused balance of talk time available in those SIMs (in terms of monetary value).
- (v) Provide the number of such SIMs already deactivated by you following the criteria of non-usage, circle-wise and the total unused balance of talk time available in those SIMs (in terms of monetary value).
- (vi) How have the subscribers been informed about condition regarding deactivation of the SIMs due to non-usage?
- (vii) In view of the provisions of the Telecom Tariff Order (43rd Amendment), 2006, the existing subscribers with lifetime/ lifelong/ unlimited validity should continue to be governed by the terms and conditions conveyed to them at the time of their enrolment into the plans. Confirm whether deactivation due to non-usage applies/ would apply only in cases of new acquisitions where the condition of deactivation are included as part of the tariff offer.

1.7. The responses received from the access service providers on the aforementioned points are summarized below:

- (i) While some TSPs were applying the condition of non-usage for deactivation, other TSPs did not apply any non-usage criteria for deactivation.
- (ii) The period of continuous non-usage as criteria for deactivation applied by TSPs varied generally between 60 days to 180 days.
- (iii) While a few TSPs considered voice call, SMS and data usage as activity, some TSPs did not consider incoming SMS as activity. One TSP considered only incoming or outgoing calls as activity while another TSP required minimum one-minute of voice call.
- (iv) The TSPs submitted the number of SIMs without usage as per their respective criterion along with the account balances remaining on them.

- (v) The TSPs submitted information on the number of SIMs deactivated by them in the past along with the account balances on them at the time of deactivation.
- (vi) Almost every TSP had a different method of informing the non-usage criteria to the customers. TSPs used one or more of the options viz. printing the criteria on start up kit (SUK), customer acquisition form (CAF) and tariff leaflets, sending SMS and out-dialers to the existing subscribers and press releases for communicating the non-usage criteria.
- (vii) Majority of the TSPs submitted that the deactivation of subscribers due to non-usage of SIMs was governed by the terms and conditions communicated to the subscribers at the time of their enrolment/acquisition. However, one TSP submitted that the TTO (43rd Amendment), 2006 provided protection on tariff for six months and there was no explicit restriction not to enforce usages, which actually was part and parcel of the service being given using scarce numbering resources. Another TSP maintained that in view of the recent *force majeure* type situation created by change in the policy of DoT, linking allocation of additional numbering resource on the basis of VLR data, it was imperative to have conditions on usage as well. Another TSP submitted that the condition of deactivation on non-usage would be applicable to both new acquisitions and old customers, as it was a direct result of a change in policy for allocation of new numbering series.

E- Representation of COAI on the issue

- 1.8. Meanwhile, COAI made a representation to TRAI vide which it, *inter alia*, requested TRAI to allow the TSPs to delete numbers that are not being utilized by the registered subscribers but blocking the much needed resources which can be freed for new acquisitions. A copy of the letter of COAI is placed as **Annexure-II**.

F- Meeting with the TSPs and their industry associations on the issue

- 1.9. In order to examine the issue further, a meeting was held with the TSPs and their industry associations viz. COAI and AUSPI. In the meeting, both COAI and AUSPI maintained that in the wake of DOT's Order linking allocation of additional numbering series with VLR data, the TSPs were justified in deactivation of SIMs due to non-usage. Regarding the refund of balance amount remaining on such deactivated SIMs, the TSPs were of the view that the question of refund does not arise as the disconnection was part of the contract between the TSP and the subscriber.
- 1.10. In the afore-mentioned meeting, the TSPs were requested to provide information on the number of subscribers, which remained inactive for various periods of time and total account balance remaining on them.
- 1.11. A summary of the information received from the TSPs is as below:

Table 1
Summary of Inactive SIMs

S. No.	Period of Inactivity (in Days)	No. of subscribers (in Million)	Total Account Balance remaining (in Rs. Million)	Average Account Balance Remaining per subscriber (in Rs.)
1	30-60 days	62	478	8
2	60-90 days	40	272	7
3	90-120 days	22	169	8
4	120-150 days	11	100	9
5	150-180 days	10	65	6
6	>180 days	55	204	4
Total		200	1289	6

- 1.12. As may be seen from the above Table, 20 crore SIMs were lying inactive for more than 30 days with an average of Rs. 6 remaining as account balance on each one of them.
- 1.13. In this background, the following chapter presents an analysis of the issue and explores ways to devise a framework to protect the interest of the stakeholders.

Chapter-II

Analysis on the Issue of Deactivation of SIMs due to Non-usage

A- Regulatory Position

- 2.1. Telecommunication Tariff Order (43rd Amendment), 2006, *inter alia*, provides protection to existing subscribers against any subsequent adverse steps by the TSPs not being part of the original tariff offering. Further, Telecommunication Tariff Order (48rd Amendment), 2008, *inter alia*, specifies that where the terms and conditions of any tariff plan with lifetime validity or unlimited validity include any condition or stipulation which requires any subscriber to recharge for any specified minimum amount within specified time periods or intervals during such validity so as to keep the said tariff plan valid, such specified time period or interval, shall, in no case, be less than six months. The protection to subscribers under TTO (43rd Amendment) and TTO (48th amendment) pertains to tariff plans only.

B- Number Series – A Scarce Resource

- 2.2. A 10-digit national numbering scheme is used for both wire-line and wireless telecommunication services in India. The Government has identified separate number series for wire-line and wireless services. The number series for wireless services are becoming increasingly scarce because of a significant growth in the number of wireless connections coupled with the presence of a large number of wireless access service providers. Given that wireless telecommunications in India is still in the growth phase, there is a strong case for managing numbering resource for wireless services in an efficient manner.

C- Non-usage of SIMs and Deactivation thereof

- 2.3. Out of a total wireless subscriber base of 90.7 crore as on 30.09.2012 in India, only 69.9 crore subscribers (77.1%) were active in the month of

September, 2012. Thus about 20.8 crore SIMs, held by the subscribers, were not in use in the month of September, 2012. Such a large number of not-in-use SIMs at any point of time is a matter of grave concern for the TSPs. The following reasons may largely be attributed for such a usage pattern in India:

- (i) Wireless segment of telecom services in India is predominantly prepaid. 96.8% of total subscribers in GSM segment and 92.9% of total subscribers in CDMA-Full Mobility segment were prepaid subscribers in the quarter ending June 2012. As a prepaid connection does not have any commitment, it leads to a very high customer churn out rate in a fiercely competitive market like India. As per a study², the average monthly churn rate of wireless subscribers is about 6% in India. As a result, large numbers of SIMs go out of use every month in India. For such SIMs, the probability of being used again is generally quite low.
- (ii) As per a recent survey by marketing research firm Nielsen³, 7.1 Crore phone subscribers in India use multi-SIM handsets; overall, 13 % of unique active mobile subscribers use Multiple SIM cards in India. A multi-SIM mobile handset allows two or more SIMs to remain active simultaneously. It empowers the subscribers to decide which SIM to use before making each outgoing call and thereby it poses a constant challenge for the TSPs to retain such subscribers. The subscribers may not necessarily churn out but they become dormant for periods of time when they are using the services of a competitor TSP. As a result, large numbers of SIMs remain not-in-use for long periods of time. For such SIMs, the probability of being put to use again is generally medium.
- (iii) It has been observed that when the wireless subscribers in India travel outside their home service areas for long periods of time, they prefer

² India's Experience with Mobile Number Portability, W. Bruce Allen, PhD, May 3, 2012

³ Nielson Report 'The Rise of Multi-SIM users: Customers shifting to dual SIM phones to have effective control over costs', 2012

to subscribe for another SIM belonging to the visited service area because the tariff while roaming outside home service area is more expensive than that in the home service area. A similar behavior is observed when the subscribers travel outside India. As a result, a sizeable number of SIMs remains not-in-use for long periods of time. However, the probability of re-use of such SIMs is generally quite high.

- 2.4. As per the recent Order dated 26.07.2011, DoT has started allocating additional number series to TSPs on the basis of subscribers in VLR in place of total subscriber base in HLR. Thus the SIMs which are not currently in use are not counted for the purpose of allocation of additional number series. One may contend that the subscribers who do not put their SIMs to use for long periods of time are disusing the scarce numbering resource which might otherwise have been used by the TSPs to sign up new subscribers and thereby to generate revenue and thus it would have contributed in the growth of the Gross Domestic Product (GDP) of the country; therefore, disuse of numbering resource should be prevented in the national interest.
- 2.5. On the other hand, the telecom subscribers on various forums have represented that their mobile connections were being disconnected arbitrarily by the TSPs. While some consumers complained against the practice of deactivation of SIMs without prior intimation to them by their TSPs when they were travelling in India or abroad, the other subscribers lamented about disconnection of their life-time prepaid connections within a very short period of non-usage. Deactivation of a SIM without prior intimation and on arbitrary grounds deprives the subscriber from his mobile number which might have been an identity for him for a long time. As a result, the consumer suffers from a potential loss of activity in both personal and professional set-ups thereby causing dissatisfaction apart from causing an adverse impact on his livelihood.
- 2.6. From the preceding discussion, it becomes clear that while not putting SIMs to use by the subscribers for prolonged periods of time hurts the interests of

TSPs, arbitrarily deactivating SIMs without prior intimation to the subscribers hurts the interests of the subscribers. The situation necessitates devising a framework which may protect the reasonable interests of both the parties. Towards this, the contentious issues concerning both the parties need to be identified first. The following discussion attempts to identify such issues with a view to address them in a consultative manner.

D- Issues concerning to the TSPs and the subscribers

- 2.7. Apparently, the main concerns of the two parties involve (i) the criteria for deactivation of SIMs due to non-usage and (ii) the manner in which the criteria for deactivation is communicated to the subscribers.
- 2.8. The criteria for deactivation of SIMs due to non-usage comprises mainly of the following two elements:
 - (i) Period of continuous non-usage of a SIM as criteria of deactivation
 - (ii) Scope of activity of a SIM for the purpose of deactivation upon non-usage
- 2.9. It has been observed that the period of continuous non-usage as criteria for deactivation applied by TSPs varies generally between 60 days to 180 days. It is understood that while the TSPs prefer to deactivate SIMs after a relatively shorter period of continuous non-usage so that they may recycle the mobile numbers for future use, the subscribers like the allowed period of non-usage to be long enough to avoid frequent disruptions in services. Essentially, it requires a trade-off.

Issue for Consultation:

Q1: What period of continuous non-usage of a SIM should be kept as criteria for deactivation by the telecom service provider?

- (i) **60 days**
- (ii) **90 days**
- (iii) **120 days**
- (iv) **150 days**
- (v) **180 days**
- (vi) **Any other**

2.10. During the discussion with the TSPs, there appeared to be no consensus amongst them on the scope of activity of a SIM with regard to deactivation due to non-usage. While some TSPs did not consider incoming SMS as an activity, one TSP considered minimum one-minute of voice call as an activity. It is understood that the subscribers, on the other hand, prefer the scope of activity to include all kind of usage and even activation of Special Tariff Voucher (STV), Top-up Voucher etc. on their prepaid connections.

Issue for Consultation:

Q2: Which (one or more) amongst the following should be included in the scope of activity with regard to the criteria for deactivation of SIMs upon non-usage?

- (i) **Outgoing voice call**
- (ii) **Incoming voice call**
- (iii) **Outgoing video call**
- (iv) **Incoming video call**
- (v) **Outgoing SMS**
- (vi) **Incoming SMS**
- (vii) **Data transfer**
- (viii) **Activation of a voucher**
- (ix) **Switching the connection 'ON' by powering on the handset and SIM**
- (x) **Any other**

2.11. It may be intuitively argued that the criteria of deactivation of SIMs should be communicated to the subscribers in a transparent manner by the TSPs so that the subscribers are not inconvenienced. There seems to be a large number of options available with the TSPs to communicate the criteria of deactivation viz. press releases, sending SMS bursts to all existing subscribers, making calls to all existing subscribers from their call-centers, posting notifications on the company web-sites, printing it on the cover of start-up kit (SUK) and on the back page of customer acquisition form (CAF) etc.

Issue for Consultation:

Q3: Which method(s) should be used for communicating the criteria of deactivation of SIMs to the subscribers in a transparent manner?

2.12. It is understood that a large number of subscribers of lifetime plans and covered under the provisions of Telecommunication Tariff Order 43rd and 48th Amendments would be affected by deactivation of SIMs due to non-usage. It has been observed that some of the service providers are informing the subscribers of such plans at the time of enrolment about the condition of deactivation due to non-usage. On the other hand, there are subscribers of such plans who were not informed about the condition of deactivation due to non-usage. The issue for consideration is whether this criteria should be applicable to all the subscribers irrespective of the fact that such a condition formed part of their customer acquisition agreement or the tariff plan enrolled by them; or the terms of service of those subscribers who were not informed about such a condition at the time of enrolment should remain unaffected or protected.

Issue for Consultation

Q4: Should the condition of deactivation due to non-usage apply in all cases, or should it apply only in those cases where such a condition formed part of the contract at the time of enrolment?

2.13. It appears to be in the interest of both the wireless subscribers and the TSPs to have a connection retention scheme for keeping a mobile connection active/live regardless of continuous non-usage beyond a specified time period by payment of nominal connection retention charges. The TSPs contend that a wireless subscriber does not only block a scarce numbering resource but also blocks database space in various systems like billing system, Customer Resource management (CRM) platforms deployed by the TSPs in their network. Further, many of the elements of the telecom networks are procured by the TSPs on per subscriber basis. Thus, the charges levied for the period of continuous non-usage would ensure that such connections are remunerative to the TSPs. Besides, there would be an implied commitment from the subscribers to return back to the network of the concerned TSP. It is understood that the subscribers would prefer their TSPs to offer such schemes on the basis of transparently communicated terms and conditions and on nominal charges.

Issues for Consultation:

Q5: Whether there is a requirement of a connection retention scheme for the wireless subscribers who wish to retain their mobile connections active/ live even after long continuous periods of non-usage? If yes, what should be the terms, conditions and charges under such a scheme?

2.14. It has been observed that some amount of monetary value remains in the accounts of the pre-paid subscribers when their SIMs enter into long periods of non-usage. It may be argued that the amounts of balance available with the TSPs after deactivation of such SIMs should not be a source of undue enrichment and the TSPs should refund such balances to the concerned subscribers, failing which they should deposit the amounts of balance remaining on the SIMs in Telecommunication Consumers Education and Protection Fund (TCEPF). On the contrary, the TSPs, in general, are of the

opinion that the question of refund does not arise as the disconnection upon non-usage is a part of the contract between the TSP and the subscriber.

Issue for Consultation:

Q6: Whether the monetary value remaining on a pre-paid SIM should be forfeited upon deactivation of the SIM due to non-usage or it should be refunded/ returned back to the subscriber?

2.15. It has been observed that some wireless subscribers, whose SIMs were deactivated due to non-usage while they were away from their home service areas, have requested the concerned TSPs to reactivate their SIMs in order to retain their mobile numbers. It may be argued that such subscribers should be given a reasonable period within which they may reactivate their SIMs.

Issue for Consultation:

Q7: Whether there is a requirement for specifying a period, within which a wireless subscriber should be allowed to reactivate his SIM, that was deactivated due to continuous non-usage? If yes, what should be such reactivation period and other terms & conditions thereof?

2.16. The following chapter lists the issues for consultation with the stakeholders.

Chapter-III

Issues for Consultation

It may please be noted that answers/ comments to the issues given below should be provided with justification. The stakeholders may also comment on any other issues related to 'Deactivation of SIMs due to Non-usage' along with all necessary details.

Q1: What period of continuous non-usage of a SIM should be kept as criteria for deactivation by the telecom service provider?

- (i) 60 days
- (ii) 90 days
- (iii) 120 days
- (iv) 150 days
- (v) 180 days
- (vi) Any other

Q2: Which (one or more) amongst the following should be included in the scope of activity with regard to the criteria for deactivation of SIMs upon non-usage?

- (i) Outgoing voice call
- (ii) Incoming voice call
- (iii) Outgoing video call
- (iv) Incoming video call
- (v) Outgoing SMS
- (vi) Incoming SMS
- (vii) Data transfer
- (viii) Activation of a voucher
- (ix) Switching the connection 'ON' by powering on the handset and SIM
- (x) Any other

Q3: Which method(s) should be used for communicating the criteria of deactivation of SIMs to the subscribers in a transparent manner?

- Q4: Should the condition of deactivation due to non-usage apply in all cases, or should it apply only in those cases where such a condition formed part of the contract at the time of enrolment?
- Q5: Whether there is a requirement of a connection retention scheme for the wireless subscribers who wish to retain their mobile connections active/ live even after long continuous periods of non-usage? If yes, what should be the terms, conditions and charges under such a scheme?
- Q6: Whether the monetary value remaining on a pre-paid SIM should be forfeited upon deactivation of the SIM due to non-usage or it should be refunded/ returned back to the subscriber?
- Q7: Whether there is a requirement for specifying a period, within which a wireless subscriber should be allowed to reactivate his SIM, that was deactivated due to continuous non-usage? If yes, what should be such reactivation period and other terms & conditions thereof?

List of Acronyms

S. No.	Acronym	Description
1	AUSPI	Association of Unified Telecom Service Providers of India
2	CAF	Customer Acquisition Form
3	CDMA	Code Division Multiple Access
4	COAI	Cellular Operators Association of India
5	DoT	Department of Telecommunications
6	F&EA	Financial & Economic Analysis
7	GDP	Gross Domestic Product
8	GSM	Global System for Mobile Communications
9	HLR	Home location Register
10	ISD	International Subscriber Dialing
11	MSISDN	Mobile Subscribers Integrated Services digital Network Number
12	NNP	National Numbering Plan
13	SIM	Subscriber Identity Module
14	SMS	Short Message Service
15	STD	Subscriber Trunk Dialing
16	STV	Special Tariff Voucher
17	SUK	Start Up Kit
18	TCEPF	Telecommunication Consumers Education and Protection Fund
19	TRAI	Telecom Regulatory Authority of India
20	TSP	Telecom Service Providers
21	TTO	Telecommunication Tariff Order
22	VLR	Visitor Location Register

Annexure-I

Government of India
Ministry of Communications & IT
Department of Telecommunications
(Access Services Wing)
Sanchar Bhawan, Ashoka Road, 20, New Delhi-110001

No. 16/16/2009-AS.III/(38)/*576*

Dated : 26th July 2011

To

All Access Service Providers

Subject : Issue of MSC codes on the basis of VLR data instead of HLR data – regarding.

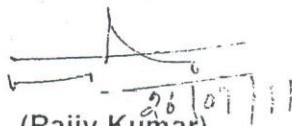
In supersession of the DoT letter dated 7.02.2011 wherein instructions were issued to all Access Service Providers on the above subject, the undersigned has been directed to issue following instructions with immediate effect :

- (i) The new MSC codes will be issued on the basis of VLR figure.
- (ii) The total VLR figure (to be enclosed with requisition for new MSC codes) should be certified by concerned TERM Cell(s).
- (iii) The Access Service Provider(s) will first approach the respective LSA TERM cell for certification of VLR figures and then submit their requisition for MSC codes to DoT, HQ enclosing therewith the TERM cells' certified figures.
- (iv) The VLR database purging period should be fixed at 72 hours maximum.
- (v) The criteria for allocation of new MSC Codes is as below :
 - (a) Both attached and detached VLR figures are to be taken into account (added) to calculate the total VLR figure.
 - (b) Further in case of intra-circle roaming agreements, the intra-circle out-roamers shall be added whereas intra-circle in-roamers should be deducted to arrive at net VLR figures.
 - (c) To add further clarification, inter-circle in-roamers (of any operator) will be part of VLR figures while inter-circle out-roamers will not be counted (neglected).
 - (d) The VLR figures may be taken as average of 7 days VLR count.
 - (e) MSC codes will be issued if the VLR figure reaches the count (taking para (a) to (d) into account as below :

S. No.	Numbers Allocated (N)	VLR Figure (V) as %age of Number Allocated (V/N)	N-V
1.	Less than 3 Million	Subject to minimum of 40%	Not Applicable
2.	3 Million & less than 6 Million	Subject to minimum of 45%	Not Applicable
3.	6 Million & less than 8 Million	Subject to minimum of 50%	Not Applicable
4.	8 Million	Subject to minimum of 55%	Not Applicable
5.	9 Million	Subject to minimum of 60%	Not Applicable
6.	10 Million & less than 15 Million	Subject to minimum of 63%	Not Applicable
7.	15 Million & More	Not Applicable	Less than or equal to 5.5 Million

N = Numbers allotted

V = VLR figure.



(Rajiv Kumar)

Director (AS-III)

Ph : 23036387/23711909

Copy to

- (i) Secretary (TRAI), Mahanagar Doordsanchar Bhawan, Jawaharlal Nehru Marg, (Old Minto Road), New Delhi-110002
- (ii) Sr. DDG., Telecom Engineering Centre, Gate No. 5, Khurshid Lal Bhawan, Janpath, New Delhi – 110001.
- (iii) DDsG of all TERM Cells with a request to also send the certified figures directly to Director (AS.III). LSA TERM Cell will coordinate with other TERM Cell in LSA.
- (iv) COAI/ AUSPI
- (v) CMD, MTNL/ CMD, BSNL.
- (vi) Director (Security-I), Security-TERM Cell
- (vii) Director (IT), DoT for uploading on web-site

Annexure-II



Cellular Operators Association of India

RSM/COAI/021
1st February 2012

**Shri Raj Pal,
Advisor (ER),
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg,
New Delhi 110002**

Subject: Condition for continuous usage of SIMs for a specified minimum period to avoid deactivation

Dear Sir,

We refer to the recent meeting held with all service providers at TRAI Office on 16th January 2012 to discuss the issues related to the above captioned subject. While concluding the meeting, the Chair had requested the industry to forward its views on the matter so that TRAI could examine the issue holistically and recommend to DoT any corrective measures that are required to be taken.

We would like to recapitulate discussions in the meeting:

1. It was informed that in view of the existing regulations, specifically the 43rd Amendment & 48th Amendment to TTO '99 pertaining to lifetime validity customers, any deactivation of the customer's number on account of zero usage criterion for a continuous period is a non-compliance of the regulations and should be immediately stopped by all service providers who have implemented this practice. Subsequently, the Chair sought response from all service providers attending the meeting whether or not this criteria for deactivation of customers has been implemented, which was responded to by all service providers including BSNL and MTNL.
2. During the discussions at the meeting, one of the service providers stated that if the Lifetime Validity Condition as per the Regulation is to be implemented, **it would lead to large number of deletions of approximately 70 million customers across the country leading to forfeiture of approximately Rs. 25 per customer**. Therefore, even if this is within the regulatory conditions, this right of the service provider is not being exercised as this is not customer friendly. **Instead, it is proposed that only those customers who fall under a zero usage criteria would be deleted and it is estimated that this would be approximately 9.7 million customers**. Thus this activity should not be viewed as a means to unduly enrich service providers but is only a mechanism to overcome the existing impasse that service providers are facing in view of the stringent criteria that has been drawn up in order to bring about more efficient utilization of the existing resources.
3. Further, another dichotomy was also raised during the meeting that the revised criteria that has been enforced basis the VLR reporting, on one hand **disallows lifetime validity customers who are not active (zero usage numbers) to get reported as these are not registered on VLR**. However on the other hand, the service providers are not being allowed to delete these numbers on the grounds that these are customers with whom the service providers have entered into a contract. **When service providers are not allowed to report these customers for qualifying the criteria it is only justified that these numbers be allowed to be deleted so that resources are freed for efficient utilization**.



Appreciating the concerns expressed by service providers, we were requested to send in a proposal giving justification for deletion of the numbers under the zero usage criteria so that the issue may be examined by TRAI. In this regard, we would like to inform you that COAI had a meeting with all its members and we would like to reiterate the following submissions for the consideration of the Authority:

1. Due to the explosive growth the industry has witnessed in the last 2-3 years, there has been an imminent shortage of available number series for allotment to service providers basis the earlier HLR criteria which was 60% utilization of the series allotted, DoT had revised the eligibility criteria for qualification of additional number series which is now on a VLR subscriber base criteria. This criteria is far more stringent than the earlier criteria although it is acknowledged that this is a more scientific manner in reporting the subscribers who are actually utilizing the resources.
2. While DoT had put out its criteria basis VLR subscriber base in February 2011, the industry found it extremely difficult to meet the same and there was a standstill in new allotment of additional number series as none of the service providers were meeting the same. This put increased pressure on the operations of all service providers as stocks were depleting whereas numbers were not available for acquisitions.
3. After representing the difficulties the industry was facing with the new criteria announced in February 2011, DoT was open to review the same and invited views from the service providers through subsequent meeting. Service providers along with COAI had submitted their recommendations along with the justification, which are as follows:
 - a. Multi-SIM behavior which has been fueled with the increasing competition, falling tariffs and low cost of purchasing new connection.
 - b. Lifetime validity SIMs wherein customers can hibernate / remain idle by just fulfilling minimum recharge condition for a running period of minimum 180 days.
 - c. With network coverage reaching rural areas, there is deep penetration of the distribution channel into rural markets which necessitates adequate stocks be kept so that customers opting for new connections can have some choice of the number they wish to obtain from the service provider of their choice. Thus a buffer stock is needed to be maintained at all points of time.
4. Following the above submissions which the industry had made, DoT revised the criteria in July 2011 as below:

S.No	Number series Allocated (N)	Required VLR fig as %age of Numbers allocated (V/N)	N-V
1.	Less than 3 Mn	>= 40%	NA
2.	>=3 Mn & <6 Mn	>=45%	NA
3.	>=6Mn & <8 Mn	>=50%	NA
4.	8 Mn	>=55%	NA
5.	9 Mn	>=60%	NA
6.	>=10 Mn & < 15 Mn	>=63%	NA
7.	>=15 Mn	NA	<=5.5 Mn

5. DoT's objective in revision of the criteria has been to bring in more efficiency and utilize the scarce number resource more rationally – however while doing so, these guidelines have distanced themselves from the market realities. This anomalous situation has led service providers to explore options to meet the growth and monthly additions.



6. With VLR based criteria being adopted for reporting subscribers a new condition on usage by customer should be imposed and the numbers blocked by subscribers who are continuous non-users should be freed.
7. Even if an operator qualifies for allocation of new number series, based on the VLR criteria, it generally takes 3-4 months to actually provision the series and send to the market (Around 2 months for DoT/TERM cell testing & allocation and another 1-2 months for level opening, SIM provisioning, jacketing and sending to vast chain of distribution/retail outlets.)
8. Normally, most of the operators have an inbuilt clause into their application form (CAF/CEF) on Termination and Force Majeure, through which services may be discontinued due to change of policy by the Government.
9. The DoT has revised the criteria following a dual approach. On one hand for service areas where number series allocations are less than 15 million it has adopted a linear approach wherein utilization percentage (VLR based) of the total series allocated i.e. V/N ranges between 40% - 63% whereas for service areas where the total series allocated is \geq 15 million, there is a capping on the differential between total series allocated less the VLR subscriber base (N-V) which should be \leq 5.5 million.
10. This dual approach has adversely affected larger service providers especially for service areas where the subscriber base is very large and total number series allocated is \geq 15 million. We would like to explain this through an example as below:

Example: Typical Operator Example

• Total Numbers Allocated:	24 million
• Qualifying VLR Utilization:	18.5 million
• VLR to REC* gap at 10% i.e. 1.8 mn:	20.3 million
• REC* to dormant at 20-30% i.e. 4 mn:	24.3 million
• Market stock at 40-50 days gross additions i.e. 2 mn:	26.3 million

*Revenue Earning Customer

This situation results in inevitable shortage of SIMs which impacts gross additions.

11. Service providers have analyzed their customers' usage behavior and it has been observed that many of the SIMs that are purchased by customers go into zero usage beyond a certain period after which these numbers never get active again. Hence these numbers can be deactivated.
12. Accordingly, some of the service providers have revised the Terms & Conditions of service to their customers and informed them that in case the number is unutilized for a certain period of 60 / 90 days, the customer's number will be deactivated. This condition should be allowed to be continued so that business continuity is maintained and there are no impediments to the growth of mobile services.
13. In addition, DoT should accept TRAI's recommendations to utilize the levels reserved for fixed line services which are registering negative growth – this will free up the much needed resources for additional number series to be allocated for mobile services which has been registering very high growth levels across the country and has already crossed 885 million customers (end Nov 2011). In this regard, please refer to our recent letter RSM/COAI016 dated January 25, 2012.



14. It would also be pertinent to mention that given the concerns around national security, it is imperative that such numbers which are lying unutilized for long periods should necessarily be re-verified so that they are being used by their registered users only otherwise these should be deactivated as they are negatively verified.

15. On behalf of the industry, we would like to reassure the Authority that while service providers follow the option to delete zero usage customers, every precaution will be taken to educate the customer about the zero usage conditions in which case the number will be deleted thereby bringing about much needed transparency. It will be ensured that customers get this information through various modes – SUK, website, Call Centre and even public notice advertisement so that they are cautioned about zero usage numbers for a continuous period of 60 / 90 days getting deleted. Further, service providers have also recommended that a safe custody process will be started wherein any customer desirous of retaining his number for longer period which is getting into a zero usage cycle can do so by paying nominal charges for the same and reactivate his / her number at later date of his choice. As has been stated in the meeting, service providers will be additionally checking whether the number is VLR registered or not. Only upon fulfilling all these filters, will the number be deleted.

Submissions:

- Allow service providers to delete numbers that are not being utilized by the registered users but blocking the much needed resources which can be freed for new acquisitions.
- In service areas where total number series allocated (N) is greater than 15 million, the cap for $N-V \leq 5.5$ million should be removed and instead a V/N ratio as applicable for other circles to be adopted.
- In addition to the above, TRAI to re-emphasize to DoT to accept its recommendations to free up levels reserved for fixed line services and allot these for mobile services.

We trust our submissions will merit consideration of the Authority.

Thanking you,

Yours faithfully,

Rajan S. Mathews,

Director General