

No.4-30/ CP/ 250-14/2000-Fin.(DF)(vol.II)  
October 24, 2000.

Dear Shri Ghosh,

Subject: Recommendations of TRAI with regard to Cellular Mobile Service Providers (CMSPs) – Induction of fourth operator.

This has reference to the DOT's letter No. 842-153/98-VAS(Vol.VIII) dated October 10, 2000 on the subject.

2. As regards entry of the fourth operator, TRAI while making its recommendation with regard to Cellular Mobile Service Providers (CMSPs) vide its d.o.letter No. 250-14/2000-Fin. (Vol.II) dated 23.6.2000 had expressed the opinion that a view could be taken in the matter after getting a full report from the DOT on the quantum of spectrum being made available for the CMSPs, existing as well as the proposed new entrants and its location i.e. whether it is going to be in the 900 MHz or in 1800 MHz bands. TRAI had also raised the issue of optimal utilisation of the additional spectrum i.e. whether it should be utilised to increase the number of service providers or for meeting the quality of service norms of the existing services in the GSM 900 MHz band.

3. It would appear from the DOT's letter under reference that the fourth operator is proposed to be accommodated in the GSM 1800 MHz band so that the additional frequency being made available would be utilised by a network based on 1800 MHz standards rather than by the existing networks which are based on GSM 900 standard. We, therefore, support the move of the Department of Telecom to allot this frequency spectrum for the entry of the fourth operator. The cellular market is expanding and time is now ripe for enhanced competition which will improve the quality, pricing and variety of services available to the public.

4. However, the issue of paucity of frequency spectrum particularly in metro cities which has also been brought out in our report needs to be addressed. During our consultation process it had come into sharp focus that the quality of services (QoS) particularly in Mumbai and Delhi had been adversely affected due to paucity of frequency spectrum. It is learnt that the metro operators have already requested for allocation of additional frequency to improve the QoS in their service areas, where they are facing the problem of congestion. We would, therefore, recommend to the Department of Telecom to address this problem on a priority basis and consider allotting additional frequency to the existing operators, so that QoS norms specified in the License Agreement are not violated.

5. It has been stated in paragraph 5 of the DOT's letter under reference, that they do not agree with the definition of "adjusted gross revenue" recommended by TRAI and that they propose to adopt the definition given by them in the case of GMPCS service. However, it has been observed that the definition of "adjusted gross revenue" given by the DOT in the case of GMPCS service seeks to include in the "shareable revenue" a number of items which do not arise from licensed activities e.g. all miscellaneous incomes, including interest, dividends, write backs of earlier years' provisions etc. This stand seems to be outside the license terms and, therefore, not maintainable. On the other hand, the definition proposed by the TRAI which it has been recommending consistently, including in the cases of GMPCS and CMSPs, is clear and precise enough to include all revenues which accrue to the operator from the licensed activities and excludes all items unrelated thereto. Thus, it covers all receipts from provisions of basic services, including supplementary services, value-added services, subsidies on sale of hand-sets etc, while it excludes items like dividend, interest etc. which though constituting "revenue" can not be said to represent revenue from the licensed activities. We are, therefore, of the view that the definition of gross revenue as conveyed by us in our recommendation dated 23.6.2000, is appropriate and should be adopted.

With regards,

Yours sincerely,

( M.S.Verma )

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