India says 3G roaming mobile pacts 'illegal'

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An Indian officegoer checks a text message on his mobile phone in Mumbai in September. India's telecom ministry told mobile phone operators on Thursday that they must scrap "illegal" mutual roaming agreements allowing them to provide seamless nationwide 3G services.

India's telecom ministry told mobile phone operators on Thursday that they must scrap "illegal" mutual roaming agreements allowing them to provide seamless nationwide 3G services.

The pacts that let the operators offer 3G services outside their licensed zones are "in violation of terms and conditions of their licences," the top bureaucrat in the telecom ministry said.

"These (roaming) services are illegal," Telecom Secretary R. Chandrashekhar said.

Leading mobile operators such as Bharti Airtel, Vodafone and Idea Cellular struck deals with each other to offer ultra-fast 3G services in

areas where they did not acquire spectrum in a costly bandwidth auction last year.

The firms entered into the deals because none could afford nationwide 3G spectrum in the high-priced sale.

Bharti has 3G bandwidth in 13 of India's 22 telecom zones while Idea has access in 11 areas and Vodafone's India unit in nine.

The announcement deals a blow to the companies, which had hoped to recover their 3G auction payments by providing high-premium 3G data services across the country in India's fiercely competitive telecom market.

There was no immediate reaction from telecom operators but analysts have said the dispute is bound to end up in the courts.

An Indian man talks into his mobile phone as he walks past a digital board broadcasting share prices outside a building in Mumbai in July. Shares of Bharti Airtel, India's largest mobile operator by subscribers, fell by nearly two percent Thursday to 335.45 rupees, bucking an overall firmer market, while Idea Cellular's shares dropped by 1.2 percent to 81.70 rupees.

Earlier operators said if they could not offer nationwide roaming, the government should refund the sums paid for 3G spectrum or restage the auction as it would "fundamentally alter" the basis on which 3G bids were made.

The government says telecom operators are using the 3G roaming deals to offer services in areas where they have not paid for the spectrum.

Third-generation services, or 3G, allow mobile phone users to surf the Internet, video conference and download music, video and other content at a much faster pace than the current second-generation service offered in India.

Other service providers like Tata Teleservices and Aircel also struck roaming deals but scrapped them after it became clear the ministry would object.

The government reaped $15 billion from auctioning the 3G licences last year. Bharti and Idea paid 123 billion rupees ($2.3 billion) for licences while Vodafone paid 116 billion rupees.

Indian telecom companies currently generate only small revenues from data services but they expect the market to grow exponentially as less than 10 percent of the 1.2 billion population has access to Internet at the moment.

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India has some 881.4 million mobile and 33.2 million fixed-line subscribers with total teledensity -- the number of telephones per 100

people -- standing at 76, latest government data shows, up from 2.5 in 2000.

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