

INDIAN TELECOM SECTOR BRIEF PERPESCTIVE

By NK Goyal

Today the Indian telecommunications network with over 375 Million subscribers is second largest network in the world after China. India is also the fastest growing telecom market in the world with an addition of 9- 10 million monthly subscribers. The tele-density of the Country has increased from 18% in 2006 to 33% in December 2008, showing a stupendous annual growth of about 50%, one of the highest in any sector of the Indian Economy.

The Department of Telecommunications has been able to provide state of the art world-class infrastructure at globally competitive tariffs and reduce the digital divide by extending connectivity to the unconnected areas. India has emerged as a major base for the telecom industry worldwide.

Thus Indian telecom sector has come a long way in achieving its dream of providing affordable and effective communication facilities to Indian citizens. As a result common man today has access to this most needed facility.

The reform measures coupled with the proactive policies of the Department of Telecommunications have resulted in an unprecedented growth of the telecom sector.

The thrust areas presently are

1. Building a modern and efficient infrastructure ensuring greater competitive environment with equal opportunities and level playing field for all stakeholders.
2. Strengthening research and development for manufacturing, value added services.
3. Efficient and transparent spectrum management
4. To accelerate broadband penetration
5. Universal service to all uncovered areas including rural areas.
6. Enabling Indian telecom companies to become global players.

Recent things to watch in Indian telecom sector are:

1. 3G and BWA auctions
2. MVNO
3. Mobile Number Portability
4. New Policy for Value Added Services
5. Market dynamics once the recently licensed new telecom operators start rolling out services.
6. Increased thrust on telecom equipment manufacturing and exports.
7. Reduction in Mobile Termination Charges as the cost per line has substantially reduced due to technological advancement and increase in traffic.

Rural Telephony

Removal of digital divide and providing rural telephony and accessibility of telephones to remote areas is an important thrust area. The strategy for network expansion in rural areas mainly involves provision of phones in the viable areas by telecom operators.

The Government is also providing various schemes under Universal Service Obligation Fund, created out of USO Levy contributed by telecom operators @ 5% of Annual Gross Revenue. Earlier the USO mandate was restricted to supporting wire line and by providing Village Public telephones (VPTs) and Rural Direct Exchange Lines. Having realized the role of wireless phones to increase rural penetration because of the convenience, affordability and the capacity to reach out the masses, particular in rural and remote areas, amendments have been made under USOF to strengthen infrastructure for providing wireless phone services in these areas.

USO also provided subsidy for construction of 8,000 towers in phase one and there is proposal for 11,000 towers under Phase II, for which tenders are to be issued shortly.

As on March 2008, the Government has released approximately Rs 6,400 crores for rural telephony.

Under the Bharat Nirman Programme, a target of providing VPTs in 66,822 uncovered villages have also been undertaken and till 30th November 2008, nearly 55,851 villages have been provided with telephones.

Detailed article for rural telephony and USO funds are available on www.nkgoyals.com.

New Licenses

New licenses have been granted under this policy which will bring enhanced competition, faster growth, lower tariffs, bridging the digital divide between rural and urban areas.

Boost to Fixed Line Telephony

To give boost to land line connectivity, license fee from the landlines has been exempted, to begin with, for rural areas. Decision of extending it to urban areas will be taken in due course of time after evaluating the impact on rural lines.

3G Services and Broadband Wireless Services

The Prime Minister Dr. Manmohan Singh launched the MTNL's 3G mobile services on the inaugural function of 'India Telecom 2008' held on 11th December, 3G services of BSNL are likely to be launched during 2009.

The Government has decided to auction 3G & BWA spectrum. The broad policy guidelines for 3G & BWA have already been issued and allotment of spectrum will be done through simultaneous ascending e-auction process by a specialized agency. The 3G is slated for auction during early 2009 and BWA auction will be after the two days from the day of close of the 3G auction.

BSNL and MTNL have already been allotted 3G and BWA spectrum with a view to ensuring early roll out of 3G and WiMax services in the Country. They will pay the same price for the spectrum as discovered through the auction.

New players would also be able to bid thus leading to technology innovation, more competition, faster roll out and ultimately greater choice for customers at competitive tariffs. The 3G will allow telecom companies to offer additional value added services such as high - resolution video and multi media services in addition to voice, fax and conventional data services with high data rate transmission capabilities. BWA will become a predominant platform for broadband roll out services. It is also an effective tool for undertaking social initiatives of the Government such as e-education, telemedicine, e-health and e-Governance. Providing affordable broadband, especially to the suburban and rural communities is the next focus area of the Department.

Mobile Number Portability (MNP) Service Licence

Mobile Number Portability (MNP) allows subscribers to retain their existing telephone number when they switch from one access service provider to another irrespective of mobile technology or from one technology to another of the same or any other access service provider. The Government has already announced the guidelines for Mobile Number Portability (MNP) Service Licence in the Country and these services are likely to be available by June 2009 in four metros and thereafter will be extended in phases to the rest of the Country.

Mobile Virtual Network Operators (MVNOs)

The guidelines for Mobile Virtual Network Operators (MVNOs) to launch operations in India are set to be unveiled soon. MVNOs offer mobile services without owning cellular networks or airwaves (spectrum) on which telecom signals travel. Their business model involves buying airtime from existing operators that own telecom infrastructure and selling it to consumers under their own brand. At present, there are 360 MVNOs operating globally. The entry of MVNOs will increase competition in the world's fastest growing mobile market and will further benefit the customer by way of reduced tariff and innovative services.

Making India a Manufacturing Hub

Indian telecom industry manufactures a complete range of telecom equipment using state of the art technologies designed specifically to match the diverse terrain and climate conditions. Production of telecom equipment has increased significantly from Rs 14,000 Crores in 2003-04 to Rs. 41,270 Crores in 2007-08. Rising demand for a wide range of telecom equipments, particularly in the area of mobile telecommunications, has provided excellent opportunities to domestic and foreign investors in the manufacturing sector.

The last three years saw many renowned telecom companies setting up their manufacturing units in different parts of the India. Elcoteq, for instance has set up handset manufacturing facilities in Bangalore while Nokia has set up its cell phone manufacturing units in Chennai. Other major companies like Ericsson, Motorola, Faxconn, Aspocomp, Salcomp, Samsung, Siemens, CISCO, Perlos, Solectron etc. have also set up their manufacturing base in India.

Telecom Sector Revenue to Government

License Fees is calculated as a percentage of Adjusted Gross Revenue (AGR) of various telecom services providers on quarterly basis. For telecom networks licensed for captive use viz. Captive | VSAT, PMRTS, Micro wave Radio Links & OFC, the lice fees is levied at fixed rates depending upon the number of terminals, channels and/or network's capital cost. The total license fees collected during 2006-07 and 2007-08 was of the order of Rs 7,016.59 Crores and Rs 8,826.45 Crores. During 2008-09 till October, 2008 the collection of license fees was Rs 4,736.42 Crores.

In totality after migrating to revenue sharing regime during 1999, the telecom sector has contributed about Rs 50,000 Crores through license fee, entry fee and spectrum charges till the end of 2007-08. During 2008-09 alone, it is expected that about Rs 16,000 crores will be collected from the license fee and spectrum charges.

India Telecom Exhibitions and Seminars

The India Telecom series was started in 2006 by DOT in association with various stakeholders with an aim to showcase the strength of Indian telecom sector and also provide an effective platform for networking opportunities. The last three events have provided a gateway to telecom companies setting up their manufacturing base in India. India Telecom is an ideal platform for telecom professionals to exchange notes and seek business opportunities.

India Telecom is organized every year by DOT, FICCI with active support of CMAI.

Telecom Centers of Excellence

To give fillip to indigenous technologies, the Government has taken a unique initiative of Public Private Partnership by setting up of "Telecom Centers of Excellence" in India's most prestigious academic institutes at IITs, IIM Ahmedabad and Indian Institute of Science Bangalore in Public Private Partnership mode to embolden the R&D efforts. This is expected to generate low cost technologies for faster spread of communication and broadband facilities.