

2011- Another successful chapter in India's telecom sector

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Despite 2G controversies, the hostilities between telecom operators and the government on 3G roaming pacts, one-time fee for extra spectrum, fierce competition and the dwindling profits, 2011 has been another success chapter in India's telecom sector.

The Indian Telecom sector has proved to be an international success story. The sector has witnessed commendable growth over the past two years. With an overall subscriber base of 914.60 million and a teledensity of 76.03%, the sector continues to grow from strength to strength. With the urban teledensity reaching 166.54%, the market has been showing signs of maturity. Rural India is the key target market likely to drive the next round of growth, particularly for voice based services. It is envisaged that rural teledensity of 40% would be reached by end of 2014. 3G and BWA are expected to reinvigorate the maturing urban markets and help in bringing balanced growth of economy. The aggressive growth observed by mobile services is yet to be replicated in case of broadband service, where the subscriber base currently stands at more than 12 million. The Government has a vision to provide telephone connection and broadband facilities on demand across the country at an affordable price and it strives to achieve the same.

The growth of telecom sector since 2007:

Subscribers	Subscribers' base (in million)					
	March'07	March'08	March'09	March'10	March'11	October'11
Wireline	40.77	39.41	37.96	36.96	34.73	33.19
Wireless	165.09	261.08	391.76	584.32	811.60	881.41
Total Phones	205.87	300.49	429.73	621.28	846.33	914.60
Internet	9.21	11.05	13.65	16.10	19.69	-
Broadband	2.29	3.81	6.22	8.77	11.79	12.84*
Data services/ Wireless internet#	31.3	65.5	117.82	177.87	381.40	-
# accessing internet through wireless networks as per quarterly reports of TRAI						
*up to September 2011 .						

The 11th plan (2007-2012) had envisaged provision of 600 million connections. The number of telephone connections both wireline and wireless put together stands at 914.60 million on 31.10.2011. This registers an addition of 869.83 million connections by October 2011 against a target of 600 million connections by end of the 12th Plan i.e. March 2012. Wireless subscribers increased to 881.41 million by October 2011, exhibiting a Compound Annual Growth Rate (CAGR) of 43.93%. During the first seven months of the current year 2011-12, the wireless connections grew by 8.60%. The number of Internet subscribers grew by 22.30%, while the broadband subscribers grew by 34.43% during the year 2010-11.

Change in composition of sector:

Public vs. Private: The liberalization efforts of the Government are evident in the growing share of the private sector. The private sector is now playing an important role in the expansion of telecom sector which is evident from the following table:

Number of Telephones (in million)								
Year	PSUs' Network			Private Network			Total	%age Share of PSUs'
	Wireline	Wireless	Total	Wireline	Wireless	Total		
2007	37.46	33.93	71.39	3.31	131.16	134.48	205.87	34.68%
Number of Telephones (in million)								
Year	PSUs' Network			Private Network			Total	%age Share of PSUs'
	Wireline	Wireless	Total	Wireline	Wireless	Total		
2008	35.23	44.32	79.55	4.19	216.76	220.94	300.49	26.47%
2009	32.92	56.63	89.55	5.04	335.13	340.18	429.73	20.84%
2010	31.33	74.54	105.87	5.63	509.78	515.38	621.28	17.04%
2011	28.69	97.31	126.00	6.04	714.29	720.33	846.33	14.89%
October'11	26.99	101.82	128.81	6.20	779.59	785.79	914.60	14.08%

The share of private sector in the number of telephones has increased from 65.32% (134.48 million telephones) at the end of March, 2007 to 85.92% (786 million telephones) at the end of October, 2011.

Wireless vs. Wireline:

The preference for use of wireless phones has also been predominant in the sector. This is confirmed from the rising share of wireless phones, which increased from 80.19% (165.09 million) at the end of March, 2007 to 96.37% (881.41 million) at the end of October, 2011.

Trend in Teledensity:

Teledensity in the country is steadily increasing from 18.22% as on 31.3.07 to 70.89% as on 31.03.11 and currently stands at 76.03% as on 31.10.11. However, there is a wide gap between urban teledensity (166.54%) and rural teledensity(36.81%).

Rural Telephony:

97.09% of the villages in India have been covered by the Village Public Telephones (VPTs). Apart from the 308.87 million connections provided in the rural areas, 576350 VPTs have been provided till 31.10.2011.

Policy Reforms and New Initiatives

For a dynamic sector, reforms are necessitated by dynamics of changes including technological innovations. The telecom sector in India has been witnessing a continuous process of reforms since 1991. During the recent years, various policy initiatives have been carried out to give boost

to the sector. Major policy initiatives and milestones achieved in Telecom Sector include:

A Mobile Number Portability (MNP):

MNP was launched by the Prime Minister on January 20, 2011. The MNP service allows subscribers to retain their existing mobile telephone number even when they switch from one access service provider to another irrespective of mobile technology or from one technology to another technology of the same or any other access service provider within the same service area.

Implementation of MNP has not only given wider choices to the Indian subscribers but has also induced service providers to offer innovative, affordable and competitive traffic plans for the benefit of the masses. As on November 30, 2011, 19 million mobile customers have successfully ported their mobile numbers to the service providers' of their choice.

B Telecom Commercial Communications Customer Preference Regulations 2010:

Telecom Commercial Communications Customer Preference Regulations (TCCCPR) 2010 came into force on September 27, 2011. TCCCPR 2010 gives options to customers to exercise their preference, separate number for telemarketers starting with 140, easy registration of the telemarketers, sharing of database, blacklisting provisions, filtering of calls and SMS by service providers, effective complaint redressal system and financial disincentive on access providers.

In order to curb unsolicited commercial communication, which were a major cause of disturbance and inconvenience for telecom users, TRAI notified "Telecom Unsolicited Commercial Communication Regulations" in 2007, putting in place a framework for controlling unsolicited commercial communications. This regulation was further improved through two amendments in 2008. As a result of this regulation, the number of unsolicited calls decreased but the number of unsolicited SMS increased. The Indian telecom customer demanded more from TRAI, which led to enforcement of TCCCPR 2010.

C Foreign Direct Investment (FDI):

Foreign Direct Investment (FDI) is one of the important sources to meet the requirement of huge funds for rapid network expansion. The FDI policy provides an investor-friendly environment for the growth of the telecom sector. Telecom has emerged as the third major sector attracting FDI inflows after services and computer software sector. At present, 74% to 100% FDI is permitted for various telecom services. This investment has helped telecom sector to grow. The growth of FDI in Telecom Sector since 2007 is as under:

Foreign Direct Investment(in million US\$)						
	2006-07	2007-08	2008-09	2009-10	2011-12	2011-12 (upto Sept. 2011)
FDI	478	1261	2558	2554	1665	1901

D Declining Tariff:

The telephone tariffs have declined dramatically over the last two years making the mobile telephone affordable to the common man. There are a large number of options available for the subscribers to choose from the market depending upon their usage profile. The prepaid tariffs have

gone as low as ½ paise per second.

E Manufacturing of Telecom Equipment:

The exponential growth witnessed by the telecom sector in the past decade has led to the development of the telecom equipment manufacturing and other supporting industries. With the advent of next-generation technologies and operators looking to roll out 3G and broadband wireless access services, the demand for telecom equipment has increased rapidly. In an attempt to capitalize on this opportunity, the Government is focusing on developing the domestic manufacturing industry. The Indian equipment manufacturing sector has come a long way in the past few years. From being an import-centric industry, it is slowly but steadily moving towards becoming a global telecom equipment manufacturing hub. In 2002-03, India produced telecom equipment worth Rs144 billion, which increased to Rs 520 billion in 2010-11, making a growth of 265 per cent.

One of the key reasons for this trend is the setting up of domestic manufacturing facilities by Indian companies along with multinational companies. The market is currently dominated by multinational companies like Nokia, Nokia Siemens Networks, Ericsson, Alcatel-Lucent, Motorola, LG Electronics, Samsung etc. which have set up their production facilities in the country over the past decade and many more are planning to set up. Also, with Indian as well as multinational companies setting up base in India, the country is not only emerging as a manufacturing hub but is also planning to increase its telecom exports. In the year 2006-07, India exported equipment worth Rs 18.98 billion, which increased by over 730 per cent to Rs 158 billion in 2010-11. Indian mobile handset companies increased their share in the domestic market to 14 per cent in 2009-10 from 3-4 per cent in 2008-09. Domestic brands have established themselves in the market and are competing with international handset vendors.

The Government is supporting the domestic equipment manufacturing industry and the growth of indigenous technology. With efforts from both the Government and the industry, India can build a conducive ecosystem to boost the equipment manufacturing sector, which can lead to the creation of an industry that will compete with the best in the world. With above initiatives India is expected to be a manufacturing hub for telecom equipment.

F Draft National Telecom Policy(NTP– 2011): Draft NTP 2011 was announced on October 10, 2011. NTP–2011 proposes to provide stable, rationale and objective policy regime over next decade or so:

- o To make available secure, reliable and affordable voice telephony and high speed broadband services to every citizen in India with special focus on rural and remote areas.
- o To improve the broadband experience by enhancing the speed of delivery.
- o To make India a global hub of manufacturing for all electronic products including telecom equipment with substantial value addition within the country and safeguard security concerns of the nation.
- For simplification and rationalisation of licensing regime, transparent system for allocation of spectrum and enable efficient usage of spectrum.
- o For discovery of price of spectrum through market related processes.
- o To achieve One Nation- Full Mobile Number Portability.

- o To enable free roaming throughout the country.
- o To harness full potential of mobile phones for enabling provision of citizen centric services related to education, health, employment, agriculture, entertainment, banking & insurance services, skill upgradation, vocational training etc.
- o To encourage indigenous manufacture of cost effective mobile devices.

The faster roll out of high speed and reliable broadband in rural and urban areas will enable decentralised governance, participative democracy and delivery of basic services such as health and education to every citizen of the country. The thrust on manufacturing will promote entrepreneurship, create more job opportunities, reduce imports and improve security. Efficient usage of scarce resources like spectrum will result in better quality of service to the customers at affordable cost. The new policy regime will be beneficial to end consumers/citizens, Telecom Service Providers, Value Added Service Providers, Government and Manufacturers. Policy is likely to be approved by the June 2012.

G. National frequency Allocation Plan:

The National Frequency Allocation Plan-2011 (NAFP) came into effect from October 1, 2011 to ensure its efficient and effective management. Radio spectrum is becoming increasingly important for all walks of life and needs to be managed rationally.

NAFP-2011 is a policy document which contains spectrum allocation for various radio communication services/applications in different frequency bands. This document provides the basis for development, manufacturing and spectrum utilization activities in the country, both for Government and private sectors.

H Recent initiatives undertaken by USOF:

The strategy for network expansion in rural areas mainly involves provision of phones in the viable areas through market mechanism and through Universal Service Obligation Fund (USOF) in the non-viable areas. While Village Public Telephones (VPTs) will enable public access, a scheme of Infrastructure sharing by Infrastructure Providers and Universal Service Providers has been launched under USOF to create infrastructure in rural and remote areas. The achievements of the schemes under USOF are as under:-

? Apart from the 308.87 million connections provided in the rural areas, 576350 VPTs have been provided till 31.10.11. 97.09% of the villages in India have now been covered by the VPTs.

? As on 30.10.2011, 7289 towers i.e. about 99% have been set up under **shared mobile infrastructure scheme**. The infrastructure so created is being shared by three service providers for provision of mobile services.

? As on 30.09.2011, a total of 2,24,631 broadband connections have been provided and 5674 kiosks have been set up in rural and remote areas under **Rural Broadband Scheme** for expanding provision of Wireline Broadband Connectivity upto village level.

? Another Scheme has been launched to provide sufficient back-haul capacity to integrate the voice and data traffic from the access network in the rural areas to their core network by

strengthening the **OFC network**. This scheme considers OpticalFibre Cable (OFC) Network augmentation between the blocks' HQ and Districts' HQ to begin with. USOF, through this Scheme, shall provide subsidy support for augmentation, creation and management of intra-district SDHQ-DHQ OFC Network on the condition that it will be shared with other Telecom Operators at the rates prescribed in the Agreement. Assam has been taken up first for implementation.

Some of the pilot projects undertaken by USOF are as under:-

(i) Support is being provided for **mobile charging stations** in 5000 villages through Tata Energy Research Institute (TERI) project of Lighting a Billion Lives (LaBL). The solar mobile charging stations in these 5000 villages are to be provided in a phased manner over a period of two years from the date of signing of the Agreement. Till 30.04.2011, mobile charging stations have been established in 322 villages.

(ii) A Memorandum of Understanding (MoU) has been signed with BSNL for financial support from USOF for **provision of Broadband enabled Rural Public Service Terminals (RPSTs) to eligible Woman SHGs (Self Help Groups)** on pilot basis in the states of HP and Rajasthan. BSNL shall provide an RPST to one eligible SHG from each of its eligible rural wire-line exchanges under the MoU as per agreed terms & conditions with subsidy support from USO Fund. At present, 150 RPSTs (100 in Rajasthan and 50 in HP) have been provided under this scheme.

(iii) Recognizing the vital role that Information Communication Technology (ICT) can play in the **empowerment of rural women**, a scheme has been launched for pilot projects aimed at facilitating Self Help Groups (SHGs) access to ICT enabled services. Financial support from USO Fund is to be provided towards Value Added Service (VAS) subscriptions for SHGs in accordance with the provisions of underlying subsidy Agreements. At present MoUs have been signed for Proof of Concept (PoC) for 8 mobile VAS projects in the state of Tamilnadu, Kerala, Maharashtra, Uttar Pradesh, Uttarakhand, Andhra Pradesh, Rajasthan and the Union Territory of Puducherry.

I Implementation of National Optical Fibre Network (NOFN): All village Panchayats are to be connected through NOFN to enable delivery of public and private electronic services to citizens in urban and rural areas.

? Broadband is a tool for improving the life of people by providing affordable and equitable access to information and knowledge. For individual, broadband has direct impact on their day to day life style and behaviour. For State, it enormously contributes towards trade and generation of employment.

o Many Information and Communication Technologies (ICT) applications such as e-commerce, e-banking, e-governance, e-education and tele-medicine require high speed Internet connectivity.

? Government has approved National Optical Fiber Network in October 2011 for providing Broadband connectivity to all Panchayats at a cost of approx 20,000 Crore.

o The plan is to extend the existing optical fiber network up to Panchayats. The Network will be available to telecom service providers for providing various services to the citizens in non-discriminatory manner. As per the approval of the Cabinet, the action for establishing and operationalising Special Purpose Vehicle (SPV) has been initiated for management and operation of the NOFN and ensuring non-discriminatory access to all service providers.

? In economic terms, the benefits from the scheme are expected through additional employment, e-

education, e-health, e-agriculture etc. and reduction in migration of rural population to urban areas. As per a study conducted by the World Bank, with every 10% increase in broadband penetration, there is an increase in GDP growth by 1.4%.

o NOFN will also facilitate implementation of various e-governance initiatives such as e-health, e-banking, e-education etc. thereby facilitating inclusive growth.

o The Network will provide a highway for transmission of voice, data and video in rural areas. It will enable the broadband connectivity upto 2 Mbps, capable of providing various electronic services like education, health, entertainment, commerce etc; to people and businesses.

? The people in rural areas, student, entrepreneurs, various Government Departments providing services under e-gov projects will be benefitted. It will also provide connectivity to various public institutions like Gram Panchayats, Primary HealthCentres (PHCs), schools etc. in rural areas. It will also result in investment from the private sector both for providing different services and manufacturing of broadband related telecom equipment.

? The NOFN project would be implemented in 2 years.

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