

BSNL may bid for telecom licence in Tunisia

9 Apr 2009, 1902 hrs IST, PTI

NEW DELHI: State-run BSNL is planning to bid for telecom licence in Tunisia and get a footprint in the African market which has immense potential.

"We are considering a proposal to bid for licence in Tunisia with Telecommunications Consultants of India Ltd," BSNL CMD Kuldeep Goyal told PTI. The management is still in the process of taking a decision, he said.

Goyal said poor tele-density of Africa and the growing mobile usage there are the key attractions to explore the region.

May 5 is the last date for submitting bid for the licence, which would be valid for 15 years, officials said, adding that the licence is a composite one for fixed-line, 2G and 3G.

Analysts said the new operators trying to enter the Tunisian market have to face tough competition from the two existing operators.

They added that the minimum bid price may be a low \$10 million.

The Tunisian market is well-penetrated with 80 per cent of the population owing mobile phones. Its total tele-density, including fixed lines, is 90 per cent.

DoT exempts foreign telcos from double tax

9 Apr 2009, 0120 hrs IST, Joji Thomas Philip, ET Bureau

CHENNAI: International long-distance telecom carriers that offer services in India using the infrastructure of existing operators will no longer need to pay tax twice, with the department of telecom (DoT) deciding to do away with the current system that has drawn criticism from a US government body recently.

The move will benefit international carriers such as AT&T, British Telecom, Verizon, Cable & Wireless and France Telecom, which have recently started carrying long-distance telecom services such as national (STD) and international (ISD) voice and data traffic.

This move will enable the foreign players to compete with established players such as Bharti Airtel, Reliance Communications and BSNL in the domestic market. Besides, it will also help them bag deals from domestic and foreign firms to handle their international business.

At present, foreign carriers use the infrastructure of existing operators, as they don't have networks spanning the whole of India. Under current rules, they pay licence fees twice to

the government — once when they buy bandwidth from the existing operators and again when they resell it to enterprises and their customers.

For instance, if AT&T were to offer national and international connectivity to GE offices in India, the US-based telco needs to buy bandwidth from a domestic operator such as Bharti. When AT&T buys bandwidth from an existing operator, the 6% revenue share or licence fee is incorporated in the selling price.

But under current laws, AT&T needs to pay tax again when it resells the bandwidth to GE, effectively paying revenue share twice on the same component. Foreign firms would prefer to buy bandwidth directly from the Indian operator, which is a cheaper option.

DoT officials have held several rounds of talks with foreign carriers to settle the issue. But any announcement on this can be expected only after the general elections, as the model code of conduct is currently in force.

DoT is looking at two models — application of excise tax or value-added tax — to avoid double taxation. With regard to the excise tax regime, the 6% revenue share applies only to transactions where the service is provided to the end-user. Intermediate or wholesale transactions where the purchaser is another carrier are not counted. Under this system, AT&T will not be subject to revenue share when it buys bandwidth from Bharti. Under VAT regime, all providers would contribute on the basis of their sales; however, each carrier would be able to deduct the value of any telecom services it has purchased.

All foreign players have been demanding that the DoT do away with the double taxation system for the last two years. Recently, US Telecommunications Subcommittee had taken up this issue with the Indian government since American companies such as AT&T and Verizon were impacted by double taxation.

Mobile cos poach to jack up subscribers

7 Apr 2009, 0133 hrs IST, Shalini Singh, TNN

NEW DELHI: Delhi which set many first milestones in mobile telephony since services were first launched from this city in 1995, is once again set to distinctly change the way the consumer is served. Now, Delhi is set to become the first battleground to test India's biggest and best mobile companies at a game that they have never played before, switching subscribers from one network to another.

Among the many firsts that Delhi has witnessed is SMS and GPRS being launched as the population of Delhi and NCR greedily lapped up new technology. Even 3G by MTNL saw its first launch in Delhi in December 2008 at the hands of PM Manmohan Singh.

So far, India's mobile network has expanded at tremendous speed clocking nearly 8 million new customers a month for the last two years. This represented a land grab

mentality by operators where they were focused on building new networks and covering new areas with the single-minded focus of adding new customers.

Now, a saturated market is forcing a change of mindset. Delhi and the NCR have now clocked more than 21 million subscribers. With a population of roughly 24 million in the NCR region this represents a near 90% teledensity. Only small children, the very old, and those who are way below the poverty line have been left out of the mobile revolution.

This is hardly a surprise considering that your family, friends, colleagues, drivers, domestic help, vegetable seller and even the newspaper delivery boys have access to a mobile.

Recognising this, Aircel, which recently launched services in Delhi, is luring subscribers of other networks to switch to Aircel with the promise of better service and even VIP numbers in exchange for loyalty. “We promise our customer a relationship. A relationship in which he is recognized and respected. He will no longer be just a mobile number”, says Sandip Das, director, Aircel.

Vodafone remains in denial. A senior executive told ToI that they would not respond to competitor moves. “It needs to be seen if a new entrant can match the network coverage of incumbents like us that has taken 15 years to build”, he added.

Bharti Airtel is a tad more realistic. It admits at least 10% to 15% subscribers, mainly the youth, are willing to switch for a better deal. Both Vodafone and Airtel are pitching their hopes on the extent and depth of the coverage that they offer in Delhi.

While acknowledging that number portability will intensify the switching game among operators, Shashi Arora, CEO Delhi, Airtel Mobile believes that Airtel will be a gainer rather than a loser. As more new operators launch services and with number portability just six months away according to DoT sources, other metros will also see the switching game being played out, followed by category A cities.

TDSAT's dual-tech order may hit spectrum allocation process

6 Apr 2009, 0146 hrs IST, Shalini Singh, TNN

DELHI: The TDSAT judgment on dual technology and related issues has serious implications on spectrum availability, its pricing and future allocation process. Experts say the judgment has set aside or turned on its head many established processes and norms that now leave the spectrum discussion open to commercial influence.

The TDSAT has ruled that incumbent GSM operators do not have any vested rights beyond 6.2 MHz. However, it has not specified a process through which the additional spectrum that is already available with companies such as Bharti, Vodafone, Idea and Aircel should be treated.

A detailed study of the Order reveals that there is no clarity on whether this spectrum will be retained by these firms and charged or returned till a new subscriber-linked criteria is established.

Affected GSM firms further point out that whether additional spectrum beyond 6.2 MHz should be priced based on a market mechanism such as an open auction or historical prices that were paid for the original 6.2 MHz at the rate of Rs 1,633 crore at a pan-India level is also a question mark.

The TDSAT has also ruled that BSNL and MTNL have been given spectrum far beyond their legitimate due and since this is discriminatory against GSM operators, it must be taken back. There is no clarity on how this reversal of spectrum will occur, by when, and to which level leaving the two PSUs extremely vulnerable to future shock.

The TDSAT has gone on to condemn DoT for arriving at a subscriber-linked criteria without 'observing the principles of transparency'. "This means that the entire subscriber-linked criteria will also be up for review and could go in any direction", says a telecom analyst.

Finally, since the TDSAT does not deal with the issue of spectrum auction for new entrants who were given 120 LoIs in January 2008, there is no clear direction whether TDSAT itself prefers or directs the government to choose a market-based mechanism over a first-come-first-served process to determine market pricing of spectrum.

This essentially means that all existing GSM operators, Bharti, Vodafone, Idea and Aircel, as well as BSNL and MTNL face very serious uncertainty in the next few months. As India heads towards general elections and the political leadership changes hands, this judgement places enormous powers in the hands of bureaucrats in DoT's Access Services and Wireless Planning cells to make decisions that could alter the future of many of these companies.

According to lawyers dealing with the matter, it is also highly likely that this judgment could be appealed in part or in whole by agreeing parties in the Supreme Court, which in turn will generate further uncertainty for the sector for at least 6 to 8 months, if not more. When contacted, T V Ramachandran of COAI declined to comment.