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**Address at
OECD Global Conference on
Telecommunications Policy
for the Digital Economy**

by
Tapan Sikdar
**Minister of State for
Communications & IT
Government of India**



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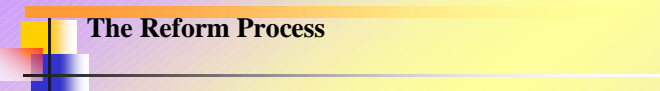


TELECOM REFORMS IN INDIA

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The Reform Process

- **Telecommunications - a “natural monopoly”**
- **Early 1990s – concept of “natural monopoly”
challenged by technological changes**
- **Dismantling of monopolies leading to :**
 - **Competition and Lowering of tariffs**
 - **Better consumer services**
- **2000 - 2001 the years of telecom reforms**

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Reform Process – Three Phases
(a) 1st phase (the Eighties)

- “Mission Better Communication”
- Private manufacturing of customer premise equipment - 1984
- C-DOT for development of indigenous technologies -1984
- STD/ISD PCO franchisees
- Mahanagar Telephone Nigam Limited (MTNL) and Videsh Sanchar Nigam Limited (VSNL) established - 1986
- High-powered Telecom Commission (1989)

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Reform Process – Three Phases
(b) 2nd phase (the early Nineties)

- New Economic Policy (NEP) -1991
- Telecom equipment manufacturing - delicensed in 1991
- Value-added services opened in 1992
- Radio Paging, Cellular Mobile and Basic Telephony sectors opened gradually thereafter
- National Telecom Policy announced in 1994
- Independent statutory Regulator (TRAI) - 1997
- ISPs opened up in 1998
- Major involvement of private sector in telecom growth

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Reform Process – Three Phases
(c) 3rd phase (late Nineties onwards)

- New Telecom Policy 1999 (NTP-99)
- Migration from fixed licence fee regime to revenue sharing
- Strengthening of the Regulator
- Opening up of the National Long Distance with unrestricted entry
- Preponement of International Long Distance opening from 2004 to 2002
- Corporatisation of telecom services - formation of BSNL

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Reform Process

- Underlying theme of the reform process :
To usher in full competition through unrestricted entry in almost all the service sectors
- Various telecom reforms committed under NTP-99 are almost complete, some ahead of schedule
- The process of consolidation is on

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Indian Telecom Sector

- 8th largest network
- Annual growth rate: 22% for basic services and over 100% for Internet and Cellular services
- Lines added to basic services in last 5 years are one-and-a-half times of last 5 decades
- 4,10,757 villages out of 6,07,491 provided with VPTs

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Telecom Services

- All telecom services within country opened up
- Basic, Cellular, Internet, Radio paging, National Long Distance, Infrastructure providers, Public Mobile Radio Trunking, Voice Mail/Unified messaging, VSAT etc
- Free competition in all services except those limited by spectrum(cellular)
- Opening up of International Long Distance preponed from 2004 to 1st April 2002

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BSNL

- **Telecom Services wing of the Government corporatised with the formation of Bharat Sanchar Nigam Limited (BSNL) on 1st october, 2000**

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Basic Services

- **Besides BSNL and MTNL licences given to 31 operators**
- **Use of WLL permitted**
- **Can have franchisees for the last mile access**
- **steps aimed at increasing the telecom network penetration to rural areas.**

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Cellular Mobile

- **Growing at an exponential rate**
- **5.3 million customers**
- **About 0.25 million customers getting added every month**
- **Four operators including BSNL/MTNL**
- **80 licensees offering services**

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Internet

Opened up in November, 1998, Liberal policy

- No licence fee upto 31st october, 2003 and subsequently Re. 1 per annum
- ISPs permitted to set up international gateway using satellite or submarine cable
- can take bandwidth directly from foreign satellite and also give bandwidth from gateway to other ISPs
- About 500 licences issued, 150 operational
- Subscribers- 0.2 million in 1999 to 3.5 million in 2001

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National Long Distance

- Opened up in 2000
- To encourage infrastructure building, two categories of infrastructure providers (IP)
- IP - I for provision of assets such as dark fibre, ducts - only registration and no financial commitments
- IP - II for provision of end-to-end bandwidth

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IT enabled services

- IT-enabled services like call centres showing significant growth
- India a favourite destination for outsourcing of back office operations

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Regulator

- **Telecom Regulatory Authority of India (TRAI) strengthened**
- **Telecom Dispute Settlement and Appellate Tribunal (TDSAT) created**

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Unlimited Investment Opportunities

- **FDI upto 100% in**
 - **Telecom manufacturing, ISPs without gateways, Infrastructure provider (IP) - I, Call centres and IT enabled services**
- **FDI upto 74% in**
 - **ISPs with gateways, IP-II and Radio paging**
- **FDI upto 49% in all other telecom services viz. Cellular, Basic, NLD and other services**

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Impact of Telecom Reforms

- **NLD charges dropped by more than 60%**
- **Cellular mobile**
 - **air time charges down by 8 times**
 - **cheaper hand sets**
- **Increased availability of bandwidth**

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Conclusion

Win - Win - Win situation

for

Customer - Industry - Government

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Partner with India

- **India's Strength**
 - **Software development**
 - **Trained technical manpower**
 - **44 Telecom training centres**
 - **R & D and Standardisation**

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Thank you

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