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TELECOM REFORMS IN INDIA

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
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

(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

(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
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

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

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
BSNL

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

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.

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 up to 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