

India's telecom sees more liberalization

In a fresh dose of liberalization, India yesterday announced a slew of relaxations in its telecom rules, which not only allows more players -- both local and foreign -- to enter the country's burgeoning telecom sector, but also allows existing and newer players more flexibility, slashes call rates even further and makes internet telephony legal in the country.

The most sweeping of all announcements India's Communications Minister Dayanidhi Maran made yesterday is the reduction of the entry fee and the license fee for telecom service providers. The annual license fee payable by operators for providing international long-distance call service and national long-distance call service has been slashed from 15 percent to 6 percent of gross revenues. The cut, to be effective from Jan. 1 next year will apply to both the existing players and new entrants that will result in loss of revenues of \$100 million a year to the exchequer. The entry fee for ILD operations too has been reduced by 90 percent from \$5.5 million to just \$0.55 million, while for NLD operators, the reduction is more drastic at \$22.2 million to \$0.55 million.

"The lower entry fees would facilitate easy access to the long-distance segment, which in turn would lead to a plurality of players, and ensure a further fall in long distance call rates," said T.V. Ramachandran, the director general of the Cellular Operators Association.

Providing a more specific estimate Communication Minister Maran said, "I expect telephone calls rates to drop by at least 9 percent across the board immediately as a result of this reduction, which also removes artificial barriers and we hope to have a lot more competition in both ILD and NLD segments."

The government has also decided to do away with the roll-out obligations, which means that the NLD license holders will no longer be required to have a point of presence in each long distance charging area, which is a mandate now. The removal of the PoP mandate in effect means that an operator is not bound to maintain infrastructure in areas, which do not provide adequate returns in terms of revenues -- such as rural India.

For ILD services too, the rollout obligations have been waived except that now the government wants ILD license holders to establish at least one point of presence -- or switch in telecom terms -- anywhere in India.

"This is just for security reasons and to ensure monitoring of calls being terminated in India", said Maran, adding that new relaxations will now also allow both the NLD and the ILD operators to provide last-mile connectivity -- reaching the connection to user premises -- on a single license. The existing rules require a telecom service provider to seek a separate license for the last mile of connectivity.

Yet another significant liberalization measure that the new rules brought is the permission given to land-line or fixed-line operators to provide Net telephony, Internet and broadband services. Currently, Internet-based telephony is not legal within India. Users can only dial overseas phones from their PCs using Internet service providers. However, an Indian caller still cannot call normal telecom networks within the country from their PCs.

"This relaxation will not only allow telecom service providers to leverage Internet Protocol technology for providing lower-cost services to users," said Amitabh Singhal, former president of the ISP Association of India, "some of the existing holders of these data communication that were nor telecom players can now become full-fledged domestic and international long-distance service providers."

According to Cisco, the global leader in networking for the Internet, this decision of "legalizing internet telephony" brings in another benefit by way of enabling global network providers like Cisco to connect

with normal telephone networks.

"If companies like Cisco are able to connect to normal telephone networks," says a Cisco source, "communication costs for businesses will also come down. Moreover legal Internet telephony would be able to offer considerably enhanced quality of voice calls over the Internet Protocol."

Nevertheless, even as the communication minister feels that the new relaxations would "increase competition and provide greater choice to the country's consumers," not everybody thinks that these sweeping changes have been fair for all players. According to Akhil Gupta, the managing director of Bharti Televentures, one of India's largest telecom players where Vodafone and Singapore Telecom hold stakes, the new rules treat the three older local players (Bharti Tele, Reliance Infocom and the Tatas) "unfairly" since they had paid over \$110 million each to the government for long-distance calling licenses.

"It is a matter of natural justice and established principle that when a new policy welcomes new players, existing players should be ensured of 'no-worse off' situation," says Gupta. "Older and new players should be treated equally and the government should return the un-expired part of the licensee fee paid by the existing players."

Gupta also feels that new rules may not bring down call rates significantly. "We can only pass on the benefit of what we save," he added. "The new rules that envisages a cut of only about 9 percent in costs means an even smaller amount of call rate drop."

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