Telecommunications

9.21 There has been a phenomenal growth in the telecommunications sector in the last two decades. During April-December, 2000 there was a growth of 29.8 per cent in terms of new connections provided during the current year. The ongoing reforms in the sector were ahead of the schedule. The two service providing Departments of the Telecom sector were corporatised, *viz.*, Department of Telecom Services (DTS) and Department of Telecom Operations (DTO). A Public Sector company "Bharat Sanchar Nigam Ltd." (BSNL) has now taken up all service providing functions of these two Departments with effect from, October 1, 2000. The Company has an authorized capital base of Rs. 10,000 crore with a paid up capital of Rs.5,000 crore. This initiative is expected to provide a level playing field in all areas of telecom services between government operators and private operators. The Department of Telecom (Telecom Commission) is now left with the functions of policy formulation, licensing, wireless spectrum management, administrative monitoring of PSUs, research & development and standardization/validation of equipment etc. Having shed direct responsibility of service providing functions, the Telecom Commission will now be able to devote greater attention to urgent issues facing the Telecom sector as a whole including the private sector. This, in turn, will boost investors' confidence facilitate greater investments and speedier development of a multitude of services, supported by a strong infrastructure.

9.22 The telecommunication network of the public sector (BSNL and MTNL) is one of the largest telecom network in Asia. It has a capacity of 35 million lines and 28.4 million working connections comprising 28,936 telephone exchanges in the country as on October 31, 2000. During 1999-2000, the switching capacity witnessed an increase of 40 per cent over the proceeding year. Approximately, 4.9 million new connections provided in 1999-2000. Similarly, capacities in Trunk Automatic Exchange (TAX), microwave and optical fibre network were considerably enhanced. The value of equipment production increased to Rs.10,760 crore in 1999-2000 from Rs.10,000 crore in 1998-99. The telecom exports have also increased to Rs. 3,747 crore in 1999-2000 from Rs. 2,909 crore in 1998-99.

9.23 Eight licenses for Cellular Mobile Telephone Service in the four metro cities were issued to 8 companies in November 1994. Since December 1995, 34 licenses for 18 territorial Telecom Circles were also issued to 14 companies. Services have been started in all the metro cities and select cities in 18 Telecom Circles. The public sector companies *viz.,* BSNL and MTNL are also planning to introduce Cellular Mobile Service in their respective circles. MTNL has entered as a service provider of cellular mobile service in Delhi. The BSNL has decided to introduce the cellular mobile service as a pilot project in 5 telecom circles covering 27 cities in Andhra Pradesh, Tamil Nadu, West Bengal, Bihar and Punjab. Thereafter, the services will be expanded in a phased manner all over the country.

9.24 There were about 2.6 million cellular subscribers in the country as on September 30, 2000. The service is now available in 648 cities/towns in the country. The number of cellular subscribers has almost doubled during the preceding year i.e. from 1.4 million as September 30, 1999 to 2.6 million as on September 30, 2000. Thus, the number of cellular mobile subscribers in the country has been growing at a very rapid pace. The share of the cellular mobile subscribers in the total telephone subscribers (fixed line and mobile) has gone up from 5.8 per cent in September 1999 to 8.6 per cent as on September 30, 2000.

9.25 The National Telecom Policy (NTP) 1994 had envisaged the objective of the public call office (PCO) for every 500 persons in the urban areas. As on October 31, 2000, there were 7,40,000 PCOs working all over the country. The PCO-population ratio as on March 1, 2000 is one PCO for 383 persons of urban population on all India average basis. Further, as per the New Telecom Policy, every village was to be provided with one public telephone. This target was also rescheduled and is expected to be completed by the end of the Ninth Five-Year Plan. Accomplishment of this task is the responsibility of both the BSNL as well as the licensed private operating companies. As per the terms of the license agreement, private operators have to provide a minimum of 10 per cent Direct Exchange Lines (DELs) as village public telephones (VPTs). Out of a total 6,00,000 villages in the country, 3,80,000 villages were provided with public telephones by the end of October, 2000. During 1999-2000, a total of 33,965 villages were provided with telephone facility and during the current year 2000-2001, it is proposed to provide 1,00,000 VPTs.

9.26 According to the New Telecom Policy (NTP) 1999, the Government has opened the National Long Distance Service to private operators without any restriction on the number of operators with effect from August 13, 2000. The Government has also issued guidelines for license to Infrastructure Provider-II (IP-II) for leasing/renting out/selling end-to-end bandwidth. For Infrastructure Provider-I (IP-I) providing assets such as Dark fibres, Right of Way, Duct Space and Tower, no formal license is required. They are only required to be registered as IP-I.

9.27 With a view to supplementing the efforts of public sector service providers *viz.* BSNL and MTNL and to ensure greater competition in providing the basic telephone services, companies registered in India are being licensed to plan, install, operate and maintain the basic services. Six companies have so far signed the license agreement with the Government for providing basic telephone services in the country. These services are being provided in the states of Andhra Pradesh, Gujarat, Maharashtra, Madhya Pradesh, Rajasthan and Punjab. All the six licensees have started functioning in their respective circles.

9.28 In the New Telecom Policy (NTP), 1999 the payment of license fee based on revenue share will be more rational in place of fixed license fee to be paid upfront. Accordingly, to make the system uniformly applicable, the licensees of Pre-NTP-99 days have also migrated to the revenue sharing mode of licence fee payment. The period of license has been enhanced to 20 years. Another notable feature of the migration package is that as against the existing arrangement of two private operators and BSNL or MTNL as third operator in cellular services, and duopoly (i.e. one private operator in addition to BSNL or MTNL) in basic telecom service, there will be multiple operators. This will promote greater competition. MTNL and BSNL have been given license for operation of technology neutral cellular mobile telephone service in their respective circles.

9.29 Upto November 15, 2000, 436 licenses were issued to Internet Services Providers (ISPs), of which 50 ISPs have been given approval in principle for setting up of International Gateways for Internet using satellite as a medium. Applications were also invited from the ISPs for setting up of Submarine cable landing stations for international gateways for Internet.

9.30 BSNL is providing access to the nearest Internet node on local call basis in all the district headquarters in the country. BSNL is also in the process of establishing a National Internet Backbone (NIB) for carriage of Internet traffic. The Internet access nodes have already been set up in 252 Secondary Switching Areas (SSAs) in the country. In fact, the three service PSUs, *viz.* BSNL, MTNL and VSNL are operating 292 Internet nodes in the country.

BOX 9.4

Recent Developments in the Telecom Sector

- A revenue sharing regime in place of existing fixed license fee introduced for both basic and cellular service operators.
- A fourth cellular operator in all the circles would be permitted.
- Additional basic service operator would also be permitted.
- Licenses are to be issued to ISPs for setting up of Submarine cable landing station for international gateways for Internet.
- ISPs would be given approval for setting up of international gateways for Internet using satellite as a medium.
- National long distance service opened up for unrestricted entry.
- Two categories of infrastructure providers, *viz.* Infrastructure providers category-II to provide end-to-end bandwidth and infrastructure provider, category-I to provide dark fibre, right of way, towers, duct, space etc. have been allowed.
- Termination of monopoly of VSNL for International Long Distance (ILD) services has been preponed to March 31, 2002 from March 31, 2004.
- Limited mobility to fixed service providers in the form of Wireless In local loop (WILL).

9.31 The terms and conditions of license agreement or providing Global Mobile Personal Communications by Satellite (GMPCS) service are under finalization, taking into account the recommendations of TRAI on entry fee, quantum and structure of license fee as revenue share and other terms and conditions. In this regard, 5 License Agreements with 4 companies have been signed. License for voice-mail and audiotex have been granted on non-exclusive basis and the services are operational in 3 cities *viz.* Mumbai, Kalyan and Bangalore.

9.32 Consistent with the worldwide trend and keeping in view the market reality, Indian telecom sector has also rebalanced the tariff structure. The first phase of rebalancing was done from May 1, 1999 when long distance STD and ISD tariff were reduced of society, by about 23 per cent on average. At the same time, in order to encourage spread of basic telephony, the Department of Telecommunications decided not to increase the rental and call charges for the rural subscribers and low calling urban subscribers with calls upto 200 per month. The tariff rebalancing exercise had done in the second phase of tariff rationalization with effect from October 1, 2000 has further reduced long distance STD rates by an average of 13 per cent for different distance slabs and ISD rates by 17 per cent. Though the rebalancing exercise has put the revenue streams under stress, the operators are expected to bring about greater efficiency and reduce the adverse impact of rebalancing.