

Telecommunications

9.32 India's telecom sector has been one of the biggest success stories of market-oriented reforms, and India is now amongst the fastest growing telecom markets in the world. Supportive government policies coupled with private sector participation have fuelled the unprecedented expansion of this sector (Table 9.11). The announcement of the New Telecom Policy, 1999 was a watershed event for telecommunications in India. Other

policy milestones include the opening of the long-distance market in 2002, the termination of VSNL's monopoly over international traffic in the same year, and the resolution of the wireless in local loop issue. As a result, telecom tariffs which were among the highest in the world less than four years ago have now dipped to being among the lowest (Tables 9.12 and 9.13). Tele-density has also increased from 12.7 per cent in March 2006 to 16.8 per cent in December, 2006.

Table 9.11 : Growth of telephones over the years

	March, 03	March, 04	March, 05	March, 06	December, 06
	<i>(in Million)</i>				
Fixed lines	41.33	40.92	41.42	40.23	40.32
CDMA	0.61	9.46	15.92	32.67	44.17
GSM	12.69	26.15	41.03	69.19	105.43
Wireless (CDMA and GSM)	13.30	35.61	56.95	101.86	149.60
Gross Total	54.63	76.53	98.37	142.09	189.92
Annual growth (in per cent)		40	29	44	45

Table 9.12 : Tariff for national long distance (NLD) calls

Distance	2001	2002	March 2003 onwards	April 10 - Sept. 09, 2004	With effect from September 10, 2004	India One* Plans effective from March 1, 2006
Upto 50 Kms	1.20	1.20	1.20	1.20	1.20	1.00
Above 50 Kms and up to 200 Kms.	4.80	4.80	2.40	2.40	2.40	1.00
Above 200 Kms and up to 500 Kms.	12.00	4.80	4.80	3.60	2.40	1.00
Above 500 Kms. And upto 1000 Kms.	18.00	9.60	4.80	3.60	2.40	1.00
Above 1000 Kms.	24.00	9.60	4.80	3.60	2.40	1.00

Table 9.13 : Tariff for international long distance (ILD) calls

Country	From Oct., 2003 to April 9, 2004	With effect from April 10, 2004 to Oct. 20, 2004	With Effect from Oct. 21, 2004 to May 20, 2005	With Effect from May 21, 2005 onwards	With Effect from October 1, 2006
United Kingdom	7.20	7.20	7.20	7.20	7.20
USA and Canada	9.60	7.20	7.20	7.20	7.20
Rest of Europe	9.60	9.60	9.60	9.60	9.60
South East Africa	12.00	9.60	9.60	9.60	9.60
SAARC countries	21.18	18.00	18.00	12.00	12.00
Sri Lanka	21.18	18.00	12.00	12.00	7.20
Kuwait, UAE, Oman & Qatar	24.00	18.00	18.00	12.00	9.60
Rest of the World	24.00	18.00	18.00	12.00	12.00

Table 9.14 : USO Fund : collections and disbursements

Year	2002-03	2003-04	2004-05	2005-06	2006-07@	Total
Collections	1653.61	2143.22	3457.73	3533.29	-	10787.85
Disbursements	300	200	1314.58	1766.85	650.76	4232.19
@ as on November 30, 2006						

9.33 The total number of telephones has increased from 54.63 million on March 31, 2003 to 142.09 million on March 31, 2006 and 189.92 million on December 31, 2006. While 43.72 million telephones were added during the twelve months of 2005-06, during the current year, about five million subscribers are being added every month. With this growth, the number of telephones is expected to reach 250 million by the end of 2007. The growth of wireless services has been phenomenal, with wireless subscribers growing at a compound annual growth rate (CAGR) of above 90 per cent per annum since 2003. Today the wireless subscribers are not only much more than the fixed subscribers in the country, but also increasing at a much faster pace. The share of wireless phones has increased from 24.3 per cent in March 2003 to 78.77 per cent in December, 2006. Improved affordability of wireless phone has made universal access objective more feasible. The number of internet subscribers grew at 25 per cent, while broadband subscribers grew from a meagre 0.18 million to 1.32 million, during 2005-06. It is necessary to increase the broadband connectivity for the knowledge-based society to grow quickly and for reaping the consequent economic opportunities.

9.34 Foreign direct investment (FDI) is one of the important sources to meet the huge funds that are required for rapid network expansion. The FDI policy provides an investor-friendly environment for the growth of the telecom sector. The total FDI approved and the actual inflow up to July, 2006 were Rs. 38,923.38 crore and Rs. 11,801.46 crore, respectively.

9.35 Of the more than 23.54 lakh public call offices (PCOs) functioning in the country, two lakh are in the rural areas. Apart

from this, 5.6 lakh village public telephones (VPTs) are also providing access to telecom facilities in the rural areas. The Mobile Grameen Sanchar Sewak Scheme providing telephone at the doorstep of villagers in about 12,000 villages is also in place.

9.36 The universal service obligation (USO) fund continues to be used to subsidise the development of the telecom sector in the rural areas (Table 9.14). From the USO fund, support is being provided for the following:

- Provision of VPTs in 66,822 villages and Rural Community Phones (RCPs) in 46,253 villages. Agreements for the same have been signed, and till December, 2006, 38,795 VPTs and 35,221 RCPs have been provided.
- Replacement of multi access radio relay (MARR) based VPTs — out of a total of 1.86 lakh such VPTs, 1.65 lakh have been replaced till November, 2006.
- Provision of new rural household direct exchange lines (DELs) in identified 1,685 net cost positive short distance charging areas (SDCAs) — more than 13 lakh rural DELs have been provided in these SDCAs till November, 2006.
- Maintenance of 18.65 lakh rural DELs installed between April 1, 2002 and March 31, 2005.

9.37 USO Fund is also proposed to be used for creating infrastructure for mobile and broadband services in rural areas. With this initiative, it may be expected to aid in the increase of rural tele-density. Mobile services being a key driver for increasing

tele-density in rural areas, there is a need to optimize the use of USO Fund to roll-out such services in rural areas.

Manufacture of telecom equipment

9.38 Indian telecom industry manufactures a complete range of telecom equipments using state of the art technologies designed specifically to match the diverse terrain and climate conditions. Production of telecom equipment has increased from Rs. 16,090 crore in 2004-05 to Rs.17,833 crore in 2005-06. Rising demand for a wide range of telecom equipment, particularly in the area of mobile telecommunication, has provided excellent opportunities to domestic and foreign investors in the manufacturing sector. A proposal for setting up Telecom Equipment and Services Export Promotion Council and Telecom Testing and Security Certification Centre (TETC) is in the pipe line. A large number of companies like Alcatel, Cisco etc. have also shown interest in setting up their

research & development (R&D) centres in India. With the above initiatives, India is expected to become a manufacturing hub for telecom equipment.

Vision for the future

9.39 By the end of 2012, a total of 650 million telephone connections (including 66 million wired and 584 million wireless connections) are expected to be achieved. Concurrently, there is also a vision of providing 200 million rural telephone connections, which translates into a rural tele-density of 25 per cent. Broadband connectivity would be made available on demand, without limiting the speed. Each village would have at least one broad-band enabled kiosk. Broad-band connection would be provided to schools, health centers and panchayat offices. It is also envisaged that internet and broad-band subscribers will increase to 40 million and 20 million, respectively, by 2010.