TELECOMMUNICATIONS

9.86 With more than 270 million connections, India's telecommunication network is the third largest in the world and the second largest among the emerging economies of Asia. The telecom sector continued to register significant growth during the year and has emerged as one of the key sectors responsible for India's resurgent economic growth. This has been possible due to the supportive Government policies coupled with the private sector initiative. The focus of the policy has been on network expansion, rural telephony, broadband coverage and R&D and on providing an enabling environment for the competitive growth of the sector. Opening of the sector has created an impressive forward momentum in India resulting in massive investment and expansion with technological changes and improvement in quality of the telecom services.

Growth of telecom sector

9.87 The targeted growth of 250 million by the end of 2007 has been achieved in the month of October 2007. The total number of telephones has increased from 76.53 million on March 31, 2004, to 272.88 million on December 31, 2007 (Figure 9.5). While 63.8 million telephone connections were added during the 12 months of 2006-07, more than 7 million telephone connections are being added every month during the current fiscal year. The tele-density has also increased from 12.7 per cent in March 2006 to 23.9 per cent in December 2007. Rural tele-density has increased to 7.9 per cent with 63.68 million rural telephone connections whereas urban tele-density was 60.04 per cent at the end of November 2007.

9.88 The liberalization efforts of the Government are evident in the growing share of private sector in total telephone connections, which has increased from 39.2 per cent in 2004 to 72.4 per cent in December 2007. The growth of wireless services, in particular, has been phenomenal, with number of wireless subscribers growing at a compound annual growth rate (CAGR) of 87.7 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 85.6 per cent in December 2007. Improved affordability of wireless phone has made the universal access objective more feasible (Table 9.17).

9.89 A critical dimension of growth of the telecom sector is the extent of rural tele-connectivity. Out of more than 22.71 lakh Public

Figure 9.5 Number of fixed and wireless telephones

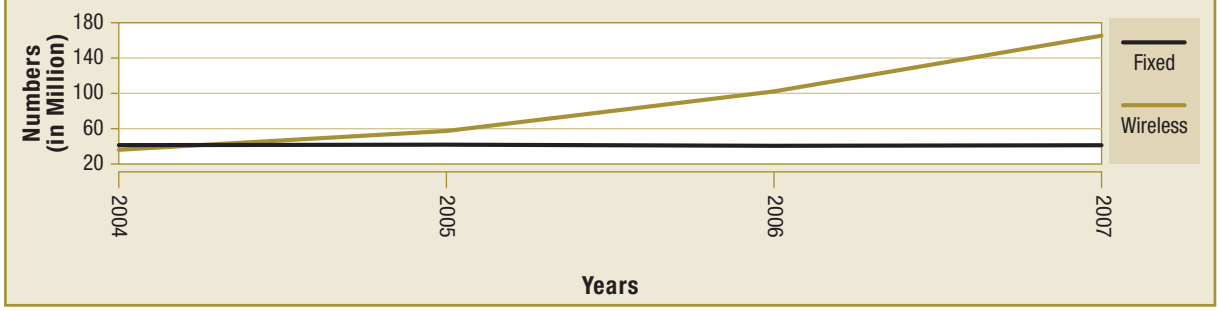

Table 9.17 Number of telephones (end of month)

(in million)

	Mar. 2004	Mar. 2005	Mar. 2006	Mar. 2007	Dec. 07
Fixed lines	**40.92**	**41.42**	**40.23**	**40.77**	**39.25**
CDMA	9.46	15.92	32.67	44.62	61.40
GSM	26.15	41.03	69.19	120.47	172.23
Wireless (CDMA & GSM)	**35.61**	**56.95**	**101.86**	**165.09**	**233.63**
Gross Total	76.53	98.37	142.09	205.86	272.88
Annual growth (%)[a]	40.0	28.5	44.4	44.8	

Source : Department of Telecommunications.

[a] point to point.

Call Offices (PCOs) functioning in the country, two lakh are in the rural areas. The Mobile Grameen Sanchar Sewak Scheme, which is providing telephone at the doorstep of villagers in about 12,000 villages, is also in place. More than 5.64 lakh villages have been covered with Village Public Telephones (VPTs) to provide universal access to telecom facilities in the rural areas. Efforts are also being made under the Universal Service Obligation Fund (USOF) to provide support for increasing wireless network in rural and remote areas.

9.90 Broadband connectivity is critical for moving the country towards a knowledge-based society. The number of Internet subscribers stood at 9.7 million as on September 30, 2007. As a result of various measures taken to promote broadband in the country the number of broadband subscribers grew from 2.28 million as on March 31, 2007 to 2.8 million as on December 31, 2007.

Tariff changes

9.91 As a result of the rapid growth in telephones, the telecom tariffs, which were among the highest in the world less than four years ago, have now dipped to being among the lowest. The National Long Distance (NLD) tariffs that ranged between Rs. 1.20 and Rs. 4.80 per minute in 2003 for different distances are now as low as Re. 1 per minute under One India Plan from March 1, 2006. Similarly, tariff rates for International Long Distance (ILD) have shown a significant decline. For instance, tariff rates for an ILD call were Rs. 7.20 per minute for U.K.; Rs. 9.60 per minute for Europe (other than U.K.), U.S. and Canada; and Rs. 24 per minute for some of the Middle East countries in 2003. From November 1, 2006, the tariffs have declined to Rs. 6 per minute for U.K., U.S. & Canada and Rs. 8 per minute for Europe (other than U.K.) and Middle East countries like Kuwait, Bahrain, UAE, Oman & Qatar.

Foreign direct investment

9.92 Foreign direct investment (FDI) is an important source to meet the demand for 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 equity inflows in the telecom sector from August 1991 up to July 2007 have been Rs. 20,718 crore which is 8.1 per cent of the total FDI equity inflows into India during the period.

Activities under Universal Service Obligation Fund

9.93 The Universal Service Obligation Fund (USFO) continues to be used to subsidize the developments in the telecom sector in the rural areas. The details of the collections and disbursements under USOF are given in Table 9.18 and the activities funded through the USO in Box 9.5.

Manufacturing and R&D

9.94 With the rapid growth of the telecom network, there is a need to further expand the telecom infrastructure and research and development (R&D). This would require infusion of funds and strengthening of the domestic telecom manufacturing sector. The development of Special Economic Zones (SEZs) facilitate better telecom services which will help in making India a hub for telecom manufacturing.

9.95 It has been decided to set up Telecom Testing and Security Certification Centre (TETC) for communication security, research and monitoring. A large number of companies like Alcatel and Cisco have also set up their research and development centres in India.

Vision for the future

9.96 Telecom development in rural areas assumes special significance in India as more than 70 per cent of the population lives in villages. A well spread out provision of affordable telecom services in rural areas enhances the ability of people to participate in market economy, which in turn improves their productivity and contributes to their earnings. It is therefore proposed to achieve rural tele-density of 25 per cent by means of 200 million rural connections at the end of the Eleventh Five Year Plan.

Table 9.18 USO Fund: collections and disbursements (Rs. crore)

Year	2002-03	2003-04	2004-05	2005-06	2006-07	Total
Collections	1,653.6	2,143.2	3,457.7	3,533.3	4,211.1	14,999.0
Disbursements	300.0	200.0	1,314.6	1,766.8	1,500.0	5,081.4

Box 9.5 Support through the USO Fund

- As on September 30, 2007, 5,64,054 revenue villages (as per 1991 & 2001 Census) are already covered with Village Public Telephones (VPTs). Agreements were signed with BSNL to provide 66,822 VPTs in the remaining uncovered villages. As on December 31, 2007, 52,342 VPTs have been provided. The remaining uncovered villages are likely to be provided with VPTs in a phased manner by June 2008. Provision of VPTs in villages is one of the activities under the Bharat Nirman Programme.
- Agreements were signed with the successful bidders for providing Rural Community Phones (RCPs) in 46,253 villages, which was subsequently revised as 43,409 due to availability of PCO facility in such villages. Out of these, 38,112 RCPs have been provided till December 2007.
- Out of a total of 1,86,872 MARR based VPTs, 1,80115 have been replaced till December, 31, 2007.
- Out of the 2,647 Short Distance Charging Areas (SDCAs), 1,685 net cost positive SDCAs have been identified for providing rural Direct Exchange Lines (DELs). About 25,64,577 rural DELs were provided under this scheme till March 2007.
- A scheme has been launched by the Government to support setting up and managing 7,871 infrastructure sites over 500 districts in 27 States of the country for provision of mobile services. The infrastructure created shall be shared by the service providers for provision of mobile services including other Wireless Access Services like Wireless on Local Loop (WLL) using fixed/mobile terminals in the specified rural and remote areas, where there is no existing fixed wireless or mobile coverage. Mobile services, through these shared towers, are targeted to be made operational in a phased manner by May 2008. An additional capacity of 24 million new lines has been estimated through the infrastructure so created under this scheme. A separate scheme is also proposed to be launched for the provision of mobile services in Andaman & Nicobar Islands, Lakshdweep & Minicoy Islands and Leh & Laddakh area in Jammu & Kashmir.

9.97 Recognizing the potential of broadband services in the growth process, it has been proposed in the Eleventh Five Year Plan to provide broadband for all secondary and higher secondary schools, all public health care centres and all gram panchayats. It is also visualized to link block headquarters and the nearest exchange through the State Wide Area Networks (SWAN) connectivity. It is also envisaged that Internet and broadband subscribers will increase to 40 million and 20 million, respectively, by 2010.

9.98 The telecom sector has continued to register robust growth and has emerged as a key sector driving India's economic progress. The policy of enabling greater competition has yielded tangible benefits and encouraged massive investment and expansion accompanied by technological changes and improvement in quality of service. This sector is now well set on the path of further growth with an expansion in rural telephony and broadband coverage.