

TELECOMMUNICATIONS

9.97 Indian telecom industry continued to register significant growth in 2008-09. Indian telecom network, with about 414 million connections in February 2009, is the third largest in the world, while it is credited with the second largest wireless network in the world.

At the current pace, the target of 500 million connections by 2010 is well within reach. The Government of India has reiterated its commitment to reach out to the remote and uncovered areas and to augment the broadband facilities in rural areas (Box 9.6).

Box 9.6 : Major policy initiatives in telecom

- Detailed guidelines for a controlled, simultaneous, ascending e-auction for spectrum for 3G and BWA service were announced on August 1, 2008. The allocation of spectrum for 3G and BWA services will boost telecom sector.
- Telecom Centres of Excellence (TCOE) concept is being established in a public-private partnership (PPP) mode with all stakeholders onboard, to promote application oriented research and to assist and train high level decision makers to manage sector reforms and corporate managers to manage networks and services. There will be eight TCOEs at the premier academic institute of the country with the seven major telecom operators supporting one centre each. The spectrum management centre is being developed in an autonomous model with the support of an industry consortium.
- To regulate unsolicited calls from telemarketers, a regulation has been implemented with a "National Do Not Call Registry (NDNC). About 7.2 million subscribers have registered on the NDNC and there has been a substantial reduction in unsolicited calls.
- It has been decided that there should be no cap on the number of access providers in any service area.
- On March 3, 2008, selective roaming facility for pre-paid subscribers between Assam and North-east and vice-versa were permitted subject to certain conditions.
- On July 11, 2008, provision of mobile service within 500 metres of the international boarder within Indian territory has been permitted.

Growth

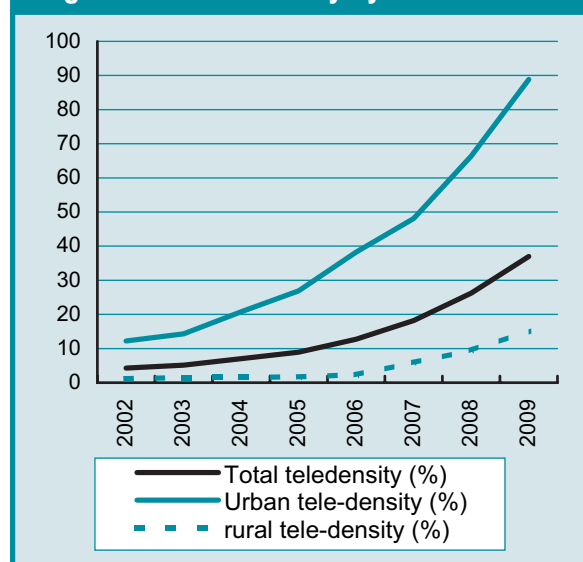
9.98 The total number of telephones increased from 76.53 million by end-March 2004 to 413.85 million by end-February 2009. About 113.36 million telephones, at the rate of more than 14 million subscribers every month, were added during the 11 months of 2008-2009. Total tele-density increased from 12.7 per cent in March 2006 to 35.65 per cent in February 2009. While rural tele-density reached 13.81 per cent in January 2009, the urban tele-density shot up to 83.66 per cent (Table 9.25 and Figure 9.3).

Table 9.25 : Growth of telephones over the years

	(in million)			
	March 06	March 07	March 08	Feb. 09
Fixed lines	40.23	40.77	39.41	37.73
CDMA	32.67	44.62	68.38	92.14
GSM	69.19	120.47	192.70	283.98
Wireless (CDMA & GSM)	101.86	165.09	261.08	376.12
Gross Total	142.09	205.86	300.49	413.85
Annual growth (%)*	44	45	46	37.72

Source : Department of Telecommunications
* point to point

Figure 9.3 : Tele-density by end March



9.99 While the wireless subscriber base grew at a compound annual growth rate (CAGR) of 75.9 per cent per annum since 2003, the wire-line segment has been declining gradually. The share of wireless

phones increased from 24.3 per cent in March 2003 to 90.88 per cent in February 2009. Improved affordability of wireless phone has made universal access objective more feasible. The Government has taken several steps directed at reduction in entry barriers, creation of a level-playing field between incumbents and new entrants and forward looking regulation. Consequently, the share of private sector in total telephone connections increased to more than 79 per cent in February 2009 against a meager 5 per cent in 1999.

Rural telephony

9.100 With the special thrust given to rural telephony, the number of rural telephones went up from 12.3 million in March 2004 to 112.71 in January 2009. The strategy for rural network expansion involves provision of phones through market mechanisms in the viable areas and through Universal Service Obligation (USO) Fund in the non-viable areas. While village public telephones (VPTs) and rural community phones (RCPs) will enable public access, a scheme of RCPs has been launched under USO(F) to create the infrastructure in rural and remote areas. Out of more than 22.71 lakh public call offices (PCOs) functioning in the country, two lakh are in the rural areas. The Mobile Grameen Sanchar Sewak Scheme providing telephone at the doorstep of villagers is in place in about 12,000 villages. About 8,61,459 wireless broadband connections with speed of at least 512 kbps always on, shall be provided by BSNL with subsidy support from USO(F).

Internet/Broadband

9.101 Recognizing the importance of increasing broadband connectivity for the growth of knowledge-based society, several steps have been taken to promote broadband. As a result, the broadband subscribers grew from a meager 0.18 million as on March 2005 to about 5.69 million by February 2009.

9.102 An agreement has been signed with BSNL in January 2009 to provide wire-line broadband connectivity to rural and remote areas by leveraging the existing 27,789 rural exchanges and copper wire-line network and by facilitating the service providers in creating broadband infrastructure. Under this, BSNL would provide 8,61,459 wire-line broadband connections from rural telephone exchanges with subsidy from USO Fund. The speed of each of the broadband connections shall be at least 512 kbps always on, with the capability to deliver data, voice and video services in the fixed mode. The rural

broadband connectivity will cover Government, institutional users, gram panchayats, higher secondary schools, public health centres and individual users. Subsidy would also be provided for setting up one kiosk from each rural exchange for providing public access to broadband services.

9.103 A proposal is being considered to provide broadband connectivity in rural and remote areas in a phased manner, under which 5,000 blocks would be connected by wireless broadband and villages coming within a radius of 10 kms. of the taluk/block headquarters would be covered. Guidelines have been issued for broadband wireless access (BWA) services. BWA services will increase broadband penetration.

Foreign direct investment

9.104 Foreign direct investment (FDI), an important source to meet the resources for rapid network expansion, is presently permitted in various telecom services from 74 per cent to cent per cent. The total FDI inflows since January 2000 to December 2008 is Rs. 27,482.96 crore and the inflow during 2008 is Rs. 11,595.48 crore. The last four years saw many renowned telecom companies setting up their manufacturing base in India. With the Government initiatives, leading world majors in telecom equipments, like Nokia, Motorola, Sony Ericsson, Samsung, Flextronics and LG Electronics have set up their mobile phone manufacturing units meeting more than 50 per cent of the domestic demand, besides exports. Nokia-Siemens Network, Ericsson and Tejas Networks have setup their manufacturing units for wireless equipments including BTS and complete transmission equipment within the country. With a view to promote and develop exports of telecom equipments and services, the Government has already set up Telecom Equipment and Services Export Promotion Council.

Activities under Universal Service Obligation Fund

9.105 USO Fund continues to subsidize the developments in rural telecom sector through the following:

- Under operation and maintenance of village public telephone (VPT) about 5,49,133 VPTs

are currently eligible for financial support as on 28.2.2009. In line with the agreements were signed with BSNL in November 2004 to provide subsidy support for provision of VPTs in 66,822 uncovered villages, 56,736 VPTs have been covered by BSNL as on 28.02.2009. The remaining will be covered in a phased manner by November 2009.

- Under agreements signed in September 2004 for providing 40,705 rural community phones (RCP) in villages with population of more than 2,000 and not having PCO facility, 40,616 RCPs have been provided till February 2009.
- Multi-access radio relay (MARR)-based VPTs installed before April 2002 are being replaced under USO(F). Out of a total of 1,86,872 MARR-based VPTs, 1,83,756 have been replaced till February 2009.
- USO(F) support is given for provisioning of rural direct exchange lines (RDELs) in all the 1,685 net cost positive short distance charging areas (SDCAs) (Table 9.26)
- A scheme has been launched by the Government to provide support for setting up and managing 7,871 infrastructure sites spread over 500 districts in 27 states for the provision of mobile services. The infrastructure so created shall be shared by three service providers for provision of mobile services. Mobile services from these towers are likely to be launched in a phased manner. As on 28.02.2009, about 3,941 towers have been set up under this scheme. Mobile services from about 3,715 BTSs installed on many of these towers have started. About 10,128 towers are proposed to be installed under second phase of the scheme.

9.106 Efforts are now being made to achieve the target of 600 million telephone subscribers by the end of Eleventh Five Year Plan. It is also 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.

9.107 The Eleventh Five Year Plan has targeted to provide the broadband for all secondary and higher secondary schools; all public health care centres and gram panchayats. It is also envisaged that Internet and broadband subscribers will increase to 40 million and 20 million respectively, by 2010.

Table 9.26 : USO Fund: collections and disbursements

							(Rs. crore)
Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	Total
Collections	2143.2	3457.7	3533.3	4211.1	5405.5	—	20404.4
Disbursements	200.0	1314.6	1766.9	1500.0	1290.0	655.9	7027.3

Source : Department of Telecommunications

website: <http://indiabudget.nic.in>