

"The robust growth of the sector will continue" {K2Splitter}

In an interview with tele.net, Dr J.S. Sarma, chairman, Telecom Regulatory Authority of India (TRAI), discussed the achievements of the telecom sector over the past year, the unresolved issues and the way forward. Excerpts...

How has the performance of the telecom sector been in the past one year? What have been the most noteworthy achievements and the biggest disappointments during this period?

The story of the phenomenal growth of telecommunications in India is one that has been told many times over. The Indian wireless communication market is the world's second largest with over 865 million connections as of end-August 2011. It is also the fastest growing market in the world with an average monthly addition of 17 million subscribers during the past one year. This growth is expected to continue and the total user base will cross 1 billion by 2014.

The most noteworthy achievement in the telecom sector in the past one year has been the successful implementation of the Telecom Commercial Communications Customer Preference Regulations (TCCPR) and mobile number portability (MNP). TCCPR will save consumers from receiving unsolicited SMSs and calls. MNP gives customers the freedom to choose their operator without changing their number. These initiatives will immensely benefit consumers and improve the quality of service.

Another major development has been the roll out of 3G and broadband wireless access (BWA) services in more than 5,000 cities and towns.

The biggest disappointment has been the slow growth of broadband. With only 12.67 million broadband connections in the country, the broadband penetration is 1 per cent as compared to 74 per cent in the case of overall telephony. The major reason for this has been the non-availability of a robust national optical fibre network for building both the aggregation layer and backhaul requirements.

To overcome this, in December 2010, TRAI had recommended the formulation of a national broadband plan (NBP) for the creation of a broadband network in the country. This would be an open access optic fibre network connecting all habitations with a population of 500 and above. It would also help in spreading 3G and BWA services. These initiatives, coupled with 3G and BWA rollouts, are expected to spur the growth of broadband in the country as well as the proliferation of various new applications and services.

Another area of concern is the low rural teledensity, which stands at 36 per cent and continues to lag behind urban teledensity at 164 per cent, as of July 2011. With fibre in place even at the village level, it will be easy for access providers to ride on this network to provide their services in a cost-effective manner.

What is your opinion on the competition in the sector?

There has been a phenomenal growth in the number of subscribers and teledensity has crossed 74 per cent. The telecom sector, especially the mobile service segment, is witnessing intense competition with 12-14 operators providing services in a circle. Our Herfindahl-Hirschman Index levels are one of the lowest in the world and hover around 0.15 for a majority of service areas. Intense competition has led to a reduction in tariffs and the launch of innovative services for consumers.

Do you expect consolidation in the sector?

After the new licences were granted in 2008, there are now 12-14 service providers in a circle, as compared to six or seven earlier. However, limited spectrum availability is a challenge. It is generally perceived that consolidation should be facilitated, if not encouraged, in the telecom sector, given the huge dependence on spectrum, which is a finite resource. This limited resource gets further fragmented because of piecemeal holdings by a large number of licensees in a market. Such fragmentation leads not only to inefficient use of the natural resource but also increases the cost of providing services by necessitating increased expenditure on infrastructure development.

To facilitate consolidation, we have recommended, inter alia, that the minimum lock-in period of three years from the effective date of the licence for merger/acquisition be done away with in conjunction with the conditions applicable on the amount of spectrum held by the merged entity.

What are your views on the recent hike in tariffs by leading operators? Do you think the time has come for regulatory intervention in tariff determination?

The tariff revisions by service providers were predominantly in the prepaid category. The revision in tariff is more or less uniform across providers with a similar increase, that is, from Re 0.01 per second to Re 0.12 per second or Re 0.50 per minute to Re 0.60 per minute for calls to mobile numbers and from Re 0.12 per second to Re 0.15 per second or Re 0.60 per minute to Re 0.90 per minute for calls from mobile numbers to landlines. The promotional/concessional tariffs offered by service providers earlier have been revised. However, TRAI is examining the issue and has asked the service providers for their clarifications. We are analysing the responses while keeping in mind the movements in input costs and macroeconomic parameters like inflation and interest rates.

TRAI has taken stringent action to reduce unsolicited calls and messages by telemarketing firms. How has the customer response been in this regard?

In order to curb unsolicited commercial communications (UCC), TRAI introduced the TCCPR on December 1, 2010. These regulations came into force from September 27, 2011.

The response of customers in this regard has been positive. As on date, 138 million customers have registered with the National Consumer Preference Register (NCPR) under various preferences. The number of unsolicited calls and SMSs has also reduced. This is evident from the fact that very few complaints have been registered by customers with their service providers for receipt of UCC.

What are TRAI's key priorities?

The primary objectives of TRAI are:

- Providing consumers with adequate choice, affordable tariffs and high-quality services
- Creating a conducive regulatory environment that would boost India's robust telecommunication, broadcasting and cable sectors
- Ensuring effective regulations and monitoring compliances, better spectrum management, and transparency in decision making
- Promoting new technologies and services while maintaining a level playing field.

How have the dynamics of the telecom market changed after the rollout of 3G services?

With the rollout of 3G services, the penetration of broadband services is expected to increase. The rollout has ensured that high-speed data services are made available in regions that were till now not covered by broadband services. With almost 70,000 3G base transceiver stations already installed in over 5,000 cities and small towns, the availability of data services for consumers has increased significantly. This should boost the Indian economy in the coming years as the information revolution would reach the masses in the true sense. With competition in the smartphone and tablet markets heating up, the offtake of 3G services is likely to improve in the next few years. The higher data speed available with 3G will support a host of new services and applications for users. 3G service providers will be able to differentiate and offer a better consumer experience with an enhanced bouquet of services. Innovation in applications and content as well as third-party tie-ups will become the game-changers, and the players who are able to adapt to these changing market dynamics will succeed. In addition, it is expected that operators will try to shift high-end customers from their 2G networks to 3G networks. This will help them reduce any congestion present in their 2G network.

What does the future hold for the telecom sector? What will be the key growth drivers going forward?

The growing adoption of smartphones, newer and faster modes of information delivery, development of new applications, digitisation of content and enormous volumes of user-generated content available on the internet are creating an environment where it has become necessary to create a ubiquitous network capable of supporting multiple applications. The creation of a robust optic fibre network providing connectivity to villages, as recommended by the National Broadband Plan 2010, will drive the uptake of applications like e-health, e-education, e-agriculture, e-governance and m-commerce, benefiting even the rural masses.

The sector is moving towards the convergence of networks, platforms and segments. Convergence leads to great benefits in terms of convenience, innovation, variety and competition. Convergence is bringing about significant changes in the traditional communication market and in existing business models. The future telecom scenario will witness technological developments, changing user requirements and demand's resulting in new networks, services, applications, devices and business models. There will be a need to ensure smoother rollout of networks in line with future forecasts, and development of services and applications according to changing consumer needs. We are already working on a plan for migration to next-generation networks.

The robust growth of the sector will continue and we expect to reach 1 billion connections by 2014. Wireless services will continue to drive growth. We will also witness a huge growth in person-to-machine communication and vice versa as well as machine-to-machine communication, leading to increased demand in the wireless sector. With regard to the market structure, the top six service providers, who also hold 3G spectrum, continue to have over 85 per cent market share. We may witness some consolidation in the near future through mergers and acquisitions.

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