

Telecom tales: The choice before India

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How will the tale of India's telecom revolution end? India was a latecomer to mobile phones, but it is now the world's fastest growing telecom market. Overall teledensity, including landlines and mobiles, stands at over 13 phones per 100 persons as compared to three per 100 in 1999.

People in villages and those with low incomes too have benefited. Pre-paid subscriptions, generally targeted at lower-income consumers, have grown 3-4 times as fast as post-paid subscriptions over the past years.

Mobile call rates, now the cheapest in the world, allow vegetable sellers to take orders, fishermen to bring their catch to the market, farmers to access market information.

But a closer look at the statistics confirms this is only a start-and a somewhat wavering start at that.

The rural-urban gap in teledensity narrowed somewhat in 2001-2003, but has steadily widened since then. Rural teledensity stood at just over 5 per cent of urban teledensity at the end of 2005. The rapid expansion of access to mobile phones at the turn of the century has slowed to 5-10 per cent growth rates in the last two years.

Delhi, India's most-connected city, has a teledensity comparable to the Philippines or Venezuela, while rural teledensity is closer to that of Chad or the Central African Republic.

India's rapid increases in teledensity also pale in international comparison. The growth rate of mobile subscriptions over 2000-2004 was comparable to the low income country average, while the growth rate of fixed lines was lower. India's teledensity is still a fraction of any other BRIC country. The percentage of population covered by mobile phone networks has increased from 40 per cent in 2003 to 60-65 per cent today but is still comparable to coverage found in much of Sub-Saharan Africa.

India cannot afford to be distracted or complacent. It must address the physical, technical, and institutional bottlenecks that will impede future improvement and expansion of service.

First, all carriers, but especially state-owned BSNL, must invest in their networks to reduce congestion at points of interchange (POIs) between the networks. The number of POIs that did not meet TRAI's service quality standards is more than six times the number of congested POIs last year, with most of the additions on the list involving connections with BSNL.

Second, spectrum policy, a persistent bottleneck for expansion of services, has to be sorted out. Not only has military usage removed a large portion of the available spectrum from commercial use, but the allocation regime has not been clear. Accusations of preferential treatment for state-owned BSNL have eroded perceptions of the regulatory environment.

TRAI's September recommendations were a welcome step toward clarification and coordination of commercial and military use of spectrum. Actually creating and empowering the suggested National Frequency Management Board would help. But the board should be given institutional independence and resources for research on changing technology and the implications for spectrum management.

Third, TRAI must be treated as an independent regulator and accorded the resources to carry out its role effectively. The policy that emerges from the spectrum negotiations must also be technology and provider-neutral to encourage investor entry and competition in the provision of 3G services. This is not a guaranteed outcome when regulation is subject to political pressure.

Fourth, the government should actively support service expansion in rural areas. The move to use resources in the Universal Services Obligation Fund to support rural wireless expansion is a step in the right direction. Private operators are already exploring creative ways of providing lower-cost rural services, including sharing of telecom towers, but the temporary public subsidy allowed by the Indian Telegraph Amendment Ordinance 2006 can accelerate the process.

The program must be implemented quickly and competitively. Most importantly, market pressures need to be maintained for the subsidized operators, perhaps by requiring operators to quote the subsidy they would require and selecting the lowest bid.

Other government resources should also be used to encourage expansion of competitive high-speed data access in rural areas. For example, the extensive fibre-optic networks of Powergrid and Indian Railways could be extended with last-mile connections to reach cover rural interiors.

These aren't trivial changes. But they will write telecom history. In one version, India misses the opportunity. The dramatic growth rate withers, rural expansion continues to slow, and the third-generation data network never really materialises.

In the other version, public support and private initiative come together to provide a near-universal communications network for the country, bridging geographical and economic divides. India becomes a case study for the benefits of leap-frogging to the technology frontier in communications.

Our actions will now determine if the telecom revolution will really mean the Death of Distance for India.

(Regular columnist N.K. Singh and Professor Jessica S. Wallack of the University of California, San Diego, are collaborating on a book on infrastructure reforms in India. Essays based on their research will appear on a bi-weekly basis.)