When the Department of Telecommunications (DoT) lowered the entry barriers for India's long distance telephony sector in late 2005, domestic and international telecom carriers seized the opportunity. As many as 21 operators expressed an interest in jumping into the long distance fray. This was exactly what DoT wanted - more players in the segment meant more competition, greater usage, lower tariffs, and better quality of service.

US-based AT&T Global Network Services India, a division of AT&T, was the first foreign company to win national long distance (NLD) and international long distance (ILD) licences. In July 2006, AT&T formed a joint venture with Mahindra Telecommunications Investment, with 74 per cent share for AT&T, expressly for this purpose.

Background

Established in 1979, AT&T's business services in the Asia-Pacific region are offered to 13 different markets organised into various sub-groups. The ASEAN group includes Singapore, Thailand, Malaysia, the Philippines, Indonesia and India.

Over the years, AT&T has viewed India as one of its two long-term strategic markets in the Asia-Pacific region, the other being China. Although the company has traditionally focused on supporting its multinational clients in India, of late it has also increasingly started turning towards Indian companies that wish to globalise.

AT&T has been providing the Indian corporate world with a basket of services.These could be broadly divided into two types: those for which a licence was required and those that were unregulated, which included management network services, international private lines (US end half circuits), managed premises security services, managed firewall services, and corporate calling cards for international travelling users. To offer regulated services requiring a licence, AT&T partnered with Videsh Sanchar Nigam Limited (VSNL).

Now, though, with NLD and ILD licences in its pocket, AT&T can provide licensed services directly to its customers.According to AT&T Global Network Services India's CEO and Managing Director, Sanjiv Bhagat, its existing customers will benefit tremendously from its licence in India. "They can now get the same quality of service which is consistent with our services anywhere across the globe," he says.

The licences will also provide the company with the flexibility and capability to enhance existing services in addition to offering new ones. For example, under the licence, AT&T plans to offer enhanced virtual private network (eVPN) and internet protocol-enabled frame relay (IPeFR) services, end-toend ATM services, virtual private network remote access services, and security services to its enterprise customers from early this year.

The infrastructure is already in place.There are currently five nodes in India - Delhi, Mumbai, Bangalore, Chennai and Hyderabad - that can leverage its global MPLS IP-based network.

Subsequently, the company will enhance its service portfolio with an array of advanced new security solutions such as network and premises-based firewalls, business continuity, and disaster recovery services.

Concerns

Winning these licences was one of AT&T India's biggest achievements in 2006. It was not a smooth ride though. The company's licence applications ran into trouble after DoT received complaints that AT&T Communications India, AT&T India's sister company, was offering services without proper licences and evading taxes.

Several MPs protested against AT&T India receiving the licences until investigations were complete and AT&T Communications India had been found to be guiltless.

A compromise was eventually reached.Although AT&T India can operate services under the licence for the time being, DoT retains the right to take action (including revoking the licence) if ongoing investigations should find the company guilty.

DoT also placed an additional rider in AT&T's letter of intent, stating that the majority of board members and occupants of the top positions must be resident Indians.

The road ahead

Confident about meeting DoT's expectations, the company believes that business will expand in the coming years. "India has one of the most exciting and dynamic telecom sectors in the world," says Bhagat.This is largely due to the growth of Itenabled and BPO service companies as well as the global trend towards outsourcing services such as call centres and software development.

For Bhagat, India is not only the fastest growing market in the Asia-Pacific region but also the single largest revenue generator. AT&T's Indian operations witnessed a 40 per cent year on year revenue growth over the past year.

But with 21 new applicants for the NLD licence, including global majors such as British Telecom and Cable and Wireless, AT&T India faces intense competition."We believe our inherent strengths will be the key. Our key strengths are the AT&T global brand, our financial base, and our resources. We also have more staff in key markets than many of our rivals. Besides, the market is huge and everyone has enough to dig into," says Bhagat.

Mahesh Uppal, director, TCIS, agrees: "AT&T is one of the oldest and most established telecom operators. And India's telecom market is still new and expanding with substantial potential for more data traffic and related services. In such a scenario, AT&T should do well."

Although the company cannot disclose forward-looking business projections, it says that it has "very aggressive growth targets" and will reveal its investment plans in detail in the next few weeks.
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