The draft National Telecom Policy (NTP) 2011, released by the Ministry of Communications and IT in October 2011, gives a major thrust to transparency, improvement of the investment climate and promotion of consumer interest. {K2Splitter}

The draft National Telecom Policy (NTP) 2011, released by the Ministry of Communications and IT in October 2011, gives a major thrust to transparency, improvement of the investment climate and promotion of consumer interest. The policy is likely to bring some relief to the sector, which has been caught in a series of controversies regarding spectrum and licence issues, besides facing hyper-competition and declining revenues. In this context, tele.net organised a conference, "Impact of National Telecom Policy 2011", on November 15, 2011. The conference covered key issues such as spectrum pricing and allocation; one nation, one licence; consolidation; and broadband. The following section presents the highlights of presentations made at the conference...

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Mobile technology in India evolved through several stages between 1995 and 2010. In 1995, Modi Telstra launched GSM mobile services in India; in 2002, BPL Mobile launched a GPRS network; and in 2004, Idea Cellular became the first operator to introduce the EDGE network facility.

Four years later, 3G made its debut in India on Mahanagar Telephone Nigam Limited's (MTNL) platform with Bharat Sanchar Nigam Limited (BSNL) following suit in 2009.

The year 2010 was marked by two major events. The 3G and BWA spectrum auctions were concluded in May and Ericsson conducted India's first long term evolution time division duplex (LTE-TDD) trials in July. Thereafter, in November-December 2010, private operators began launching 3G services. Now, commercial LTE services are expected to be launched in 2012. While the future of the Indian telecom sector is promising, especially in terms of subscriber additions, several unresolved issues and concerns remain. These include regulatory issues, aggressive price wars, 3G licensing issues, hypercompetition, slowing urban growth and low ARPUs.

The National Telecom Policy (NTP), 2011 aims to address the key issues facing the sector. The draft NTP recommends the following:

- A unified licence regime

- Setting the stage for the entry of mobile virtual network operators (MVNOs)

- Halving the validity period of the mobile licence

- Achieving 100 per cent rural teledensity by 2020

- The emergence of India as a global value-added services hub

- Elimination of roaming charges

- Implementation of mobile number portability (MNP) on a national basis

- Ensuring additional 500 MHz spectrum by 2020

- Legalising spectrum sharing, pooling and trading

- Ensuring the Spectrum Act determines the pricing and allocation of spectrum

- Ensuring 600 million broadband users at 100 Mbps by 2020

- Laying an optic fibre cable network in villages and FTTH in cities and towns

- Greater emphasis on security

- Ensuring that 80 per cent of equipment is manufactured locally by 2020

The concept of “one nation, one licence” as defined in the draft NTP 2011 attempts to create a single licence across services and service areas to enable convergence. This includes enhancing the scope of MNP and introducing free roaming.

Further, the scope of this regime would include dividing technology-neutral unified licences into two categories – network service operators and service delivery operators. It will also involve framing an appropriate exit policy for licensees and putting in place a framework that will regulate carriage charges that are content neutral and are based on bandwidth utilisation.

Enhancing the scope of MNP and eliminating roaming charges will entail extending intra-circle MNP on a nationwide basis so that consumers can retain their numbers while shifting from one circle to another, irrespective of the operator.

Impact of the recommendations

Eliminating roaming charges will entail a review of these tariffs with the objective of eventually removing them across the country. This suggestion has several advantages and disadvantages. A major positive is that it will prevent users from switching operators even if they switch their circles. This will also help reduce churn. On the other hand, removing roaming charges would benefit less than 10 per cent of the country’s travelling population, while 90 per cent would be paying higher tariffs. Also, this will temporarily have a negative impact on operators’ earnings before interest, taxes, depreciation and amortisation, which may decline by 4 to 5 per cent as roaming charges account for approximately 10 per cent of the operators' overall revenues.

Moreover, the policy may favour incumbent players as increased tariffs may negatively impact new and smaller players who survive the tariff war.

In terms of impact on revenue, its quantification is the biggest challenge at this stage. At present, service providers pay between 6 per cent and 10 per cent of their revenues as licence fee, depending on the circle. They also pay 6 per cent of revenues to offer domestic and international long distance services and internet telephony services.

For mobile, long distance and internet telephony service providers, the fee will be reduced by 1 percentage point each year, starting 2012-13 to reach 6 per cent in 2015-16. According to the Telecom Regulatory Authority of India, the uniform licence fee of 6 per cent of the annual gross revenue for all services may provide the government a surplus fee of Rs 24.8 billion in the next four years.

NTP 2011 also suggests the separation of content and carriage, which implies that both will be governed separately, through two separate licences – the network service operator licence and the service delivery operator licence. This separation will lead to the entry of MVNOs and service providers will become mere conduits and access mediums for the content. Content providers will be able to offer services to consumers directly and the control exercised by operators would be lost. However, network neutrality on mobile internet could be compromised. The various content portals and companies may use the existing infrastructure without making any investments or sharing any revenues.