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India's telecom sector is a glass half full or half empty, depending on one's point of view. The mobile phone is everywhere and broadband base virtually nowhere. The future depends on our ability to kick start broadband and use it to drive growth across the economy.

The Department of Telecommunications (DoT) and the Telecom Regulatory Authority of India (TRAI) have their work cut out. There are two priorities - firstly, fixing licensing rules to ensure that players can enter or exit the market easily; secondly, helping to free up key inputs like spectrum so that networks and services can grow. They will have to collaborate with the industry to unravel the current tangles.

There are several issues relating to licensing. India's mobile industry has more players than any other industry in the world. There is a need to ease the norms for mergers and acquisitions to facilitate consolidation. Upfront payment for spectrum acquired at administered price is a key hurdle. A way out is to recover the amount differently, e.g., through a higher revenue share from the beneficiary who could factor the payment in its purchase price.

The Unified Licence is a good idea, but there are only a few takers for the same. The reason is simple. Bigger mobile players gain little extra since their current licenses are already all-inclusive. On the other hand, smaller players, like Internet Service Providers (ISPs) who could benefit, cannot afford the fee of `15 crore. A lower fee - most countries charge nothing - is the way to go. India cannot afford to ignore best practices while Internet and broadband suffer.

Spectrum is key to taking telecom infrastructure to the areas or people who do not yet have access, especially to broadband Internet. Wireless technology is the only realistic option to expand last-mile access since it is expensive to expand the small fixed line network. However, this can work only if rules for spectrum help, rather than hinder, the creations of a ubiquitous network that can meet the needs of diverse users.

Current spectrum rules discourage the optimal use. Admittedly, auctions encourage efficient use, since no winner would like to keep expensive spectrum idle. Unfortunately, more is required to ensure efficient use. The government must permit license holders to share or trade spectrum to derive its full value. It cannot justify delay since the key concern, namely security, is addressed if players involved already have licenses given after a security clearance.

Operators need more spectrum for wireless broadband. A clear and careful timetable of how spectrum will be freed up and auctioned is needed. This will ensure that operators get appropriate spectrum at the right time and price and the government gets its full value. Bad timing can hurt both the sides. It will be critical to work with defence to identify idle spectrum, which deprives the operators of its use for services and the government of revenues. A realignment of current usage can also reduce fragmentation that can be a big hindrance to deploying 4G technologies like 4G where, unlike 2G, a minimum 5 MHz is necessary.

Given the excess demand for spectrum, auctions are unavoidable. However, they need not have to be designed solely for revenue maximization. High bids leave less to invest for network, especially broadband growth. This inevitably hurts users. Greater emphasis on rollout and market development can reduce bids, without hurting transparency. The risk of windfall profits to private players is easily handled by having specific provisions to tax future such revenues.

Only a growing telecom sector can ensure sustainable revenues for the exchequer. Broadband markets, for example, promise a lot but will need support first to strengthen the ecosystem of networks, devices, and content. The government can help reduce the cost of developing these markets significantly by postponing all levies and fees till a critical mass is reached.

What the government actually does is the real question. It will determine the future of the sector.