

TELECOMMUNICATIONS



Calling One India: India's next telecom revolution

CALLING ONE INDIA: INDIA'S NEXT TELECOM REVOLUTION

India's ongoing telecom revolution, which has created the fastest growth market in the world, could soon get another leg up. On August 4, India's Union Minister for Information Technology and Communications, Dayanidhi Maran said his government was working towards a 'One India Call' rate.

Under the proposed rate, distances will be delinked from costs. Calling up somebody who is 600 km away would cost the same as connecting to a person 1800 km away. In the last decade, peak telecom tariffs have already dropped from Rs 40 a minute to a little over Rs 2 a minute.

According to government officials, Mr Maran's vision will translate into a dramatic fall in rates ranging from 20% to over 75%.

Business facilitation

It could also change India's business and economic landscape. To begin with, the rate could help businesses manage resources better. For companies that have production and distribution facilities spread across several states, the costs of communication would go down significantly. Not only that. Small and Medium Enterprises (SMEs) who don't follow up long distance leads because of the prohibitive cost of communication for long distance calls, would find it easier to implement Direct Marketing strategies.

Cheaper long distance calls would translate to more telephones being sold, most probably at cheaper prices. Consumers could be able to stay in touch with family members across the country, find employment opportunities and also have more options during emergencies. This in turn would inevitably improve India's tele-density of 6.6 %, which is low compared to countries like Brazil and China, where tele-density is over 40%. India has a long way to go here since a number of developed nations have a tele-density over 100%: Australia's is at 126.18%, UK's is 143.13% and the tele-density of the US is 116.43%.

Benefits across sectors

Equipment manufacturers are likely to gain too. The pruning of margins due to competitive pressures is likely to be more than compensated by the likely surge in volumes. Any player with a good marketing and sales strategy will make important gains.

Businesses that were hampered by rising communication costs in their

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expansion plans would be freed from shackles. Consider, for example, the ITES segment, where India is already emerging as a leader. Most ITES companies depend heavily on communications over the phone. ITES firms in an expanding mode would now be able to choose new locations without much worry over costs of communications between the hub and the spokes (metro cities and smaller towns). This logic also holds good for other communication-intensive business segments such as logistics and travel & tourism.

Once business segments heavily depending on communication-costs are free to locate their offices anywhere, this would lift real estate prices in hinterland areas that have till now been relatively untouched by the economic boom. There is every possibility that the construction industry could ride on the impending boom in telecommunications in small towns.

At present, no specific rate has been indicated for the 'One India Call' rate. So the impact on local call rates cannot be exactly determined at this stage. However, it is possible to make some calculated guesses. For one, it may be likely that local calls become a tad more expensive to compensate for the drop in rates of long distance calls.

However, Indian consumers may not have much to complain about. Currently, local call rates in India are among the lowest in the world. Local calls up to 50 km cost 80 paise a minute while the rates for domestic long-distance calls vary between Re 1 and Rs 2.65 a minute, depending on the service provider. In an earlier consumer-friendly measure in May 2005, the government made all calls from the four metros to other towns in the state as local calls.

Rural telephony impact

Will rural telephony be hit? At the moment, rural areas are covered under the subsidised rates and the monthly rental varies from Rs 50 to Rs 210 depending upon the exchange capacity. Unit call charge for 76-300 seconds is fixed at 80 paise and 75 calls are free of charge.

This structure is unlikely to be changed. Shakeel Ahmad, Minister Maran's deputy in the Ministry of IT and Telecom told the lower house of Parliament in a written reply that the government would protect the interests of rural telephone subscribers even after the introduction of the 'One India' call rate.

In fact, the incentive of cheaper long distance calls could increase tele-

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density in rural areas steeply. As on May 31, 2005, there were 1.74 telephones per 100 persons in rural areas of India. The government had fixed a target of 4% tele-density in rural areas by 2010. 'One India Call' rate would help achieve this target even earlier.

Of course, there could be a few problems in the short-run as issues like sharing of call rates would have to be sorted out. At present, only national long distance operators are allowed to carry inter-circle calls, and not all operators have national licenses. Even the interconnection agreements will have to change. If telecom prices crash, traffic would improve which in turn would force larger capacity-related investments on operators. But these would be problems only in the short-term and the overall long-term benefits of 'One India Call' rate would overwhelmingly outweigh these issues.

Broadband benefits

Above all, the 'One India Call' rate is expected to accelerate the broadband revolution that is already seeping across India. In a single month in July 2005, for example, 450000 connections were activated. While key players such as Bharat Sanchar Nigam Limited (BSNL), Videsh Sanchar Nigam Ltd (VSNL) and Reliance Infocomm continue to lay additional fiber-optic cables for their domestic backbones at a frenetic pace, a considerable number of other private and state-owned organizations could join the fray sensing huge profits in long distance telephony. This could also imply an investment boom in business segments dealing with optic cables and other related infrastructure equipment.

A combination of low wireless penetration of just 5 users in 100 people and rockbottom call rates of about 2 to 3 U.S. cents a minute have made India the fastest growing major mobile market in the world. There are about 52 million wireless customers in India and the number is widely expected to cross 80 million by December 2005. About 2 million new mobile customers are entering the galloping sector each month, and according to India's telecom regulators, the per month combined additions in the wired and wireless categories are now within touching distance of the three million mark. A uniform call rate across India could give these growth numbers fresh ballast to take off.

