Republic Day of India

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सत्यमेव जयते

Changing Telecom Scenario

by Yogendra Shukla

INDIA has registered an impressive growth in the telecom sector. Over the years the country has developed a vast telecom network comprising over 25000 telephone exchanges and 21.5 million working connections. There is a large network of optical fibre cables, digital microwave and satellite communication systems. A very strong industrial base has been built in the telecom sector with a large number of national and multi-national telecom companies.

A number of policy changes have been made in the recent past which, if implemented, are bound to have a significant impact on the telecom scenario. The most significant among the changes is the announcement of a New Telecom Policy (NTP) 1999. The Policy envisages development of telecom facilities in remote, rural and tribal areas of the country and their availability to the masses at affordable costs.

The NPT 1999, which has come into effect from April 1, 1999, aims at making telephones available on demand by the year 2002 and to achieve teledensity of seven per hundred persons by the year 2005. In case of rural areas, the current teledensity is proposed to be raised from 0.4 to 4 by the year 2010. The policy document of NIT outlines rapid growth in the telecom sector in India with a projected teledensity of 15 by the year 2010.

This will require a massive investment of over 23 billion dollars in the next five years and 65 billion over the next 10 years in the telecom sector.

Accelerator

Telecommunication is by itself an accelerator of economic growth. As per the calculations made by experts even a one per cent increase in teledensity results in a three per cent increase in the gross national product (GNP).

The NPT 1999 has been hailed the world over as a progressive and forward-looking policy in tune with the high technological changes of the 21st century. It addresses the various problems affecting the telecom sector. The new policy comes as a breath of fresh air for the beleaguered telecom industry. It is expected to encourage investments in the telecom sector and holds the promise of boosting the entry of world class infrastructure in the country.

The NPT is focussing on creating an environment for financial investment as well as modern technological development in basic, cellular mobile and value-added services. It has opened up vast opportunities for investment in the Indian telecom sector. The domestic long-distance communications is being opened up for competition from January 1 next year ending the monopoly of the Department of Telecommunication (DOT) on the STD service.

New licences are to be given shortly for basic as well as cellular mobile services. There are now opportunities galore for setting up internet service providers (ISP) and various information technology (IT)-enabled services. For this a liberal policy framework has been chalked out.

The NPT provides for introduction of a concept of one-time entry fee and revenue-sharing system in place of the fixed licence regime for basic and cellular service operators. The basis of revenue-sharing has to be recommended by the Telecom Regulatory Authority of India (TRAI) in a time-bound manner. As for the existing basic and cellular phone operator's working under the licence issued as per the old policy, the previous Government had decided to seek the opinion of the Attorney-General on whether and how they could migrate to the revenue-sharing arrangement.

Bail-out Package

The Government later came out with what came to be known as a bail-out package allowing licensees of all telecom services including basic, cellular, paging and other value-added services to migrate to the revenue-sharing system under the NPT 1999. According to the Government, this was necessitated because a large number of licensees under the 1994 Telecom Policy were finding it difficulty to pay the licence fee and wanted to switch over to the revenue-sharing regime under the new policy.

The Government clarified that it did not want to discriminate between the existing telecom operators and the new licensees. Moreover, future collections under the old licence fee regime were uncertain as many cellular operating companies were likely to turn sick.

Under the bail-out package, the private telecom operators were required to pay up 30 per cent of arrears of licence fee including interest last by August 31 as provided in the licence agreement for migrating to the New Telecom Policy. Requisite bank guarantees for the remaining amount of arrears, including interest, were to be furnished for the period till the areas were cleared by January 31 next year. Relief was provided to the licences from the present 10 years to 20 years from the date of existing licence agreement.

The effective date of all licences for basic and cellular services has been extended for six months except for the metro cellular areas. The DOT fixed 15 per cent as interim revenue share to the Government until the Telecom Regulatory Authority of India (TRAI) comes out with its recommendations on the revenue-sharing system.

The Government clarified that it would lose only Rs 1403 crore as a result of the new telecom package as that is the amount foregone this year due to the change in the effective date of licence by six months. The cellular operators' association of India, too, claimed that the Government stands to benefit by about Rs 1500 crore from migration to the revenue-sharing system allowed to them as they would pay about Rs 3120 crore to the Government against the budget projections of Rs 1700 crore.

The Opposition parties, however, have charged that the telecom package has resulted in a loss of Rs 50,000 crore to the national exchequer as that is the amount foregone over a fifteen-year period and that the package is loaded in favour of the big metro operators.

Regulatory Authority

No meaningful liberalisation of the telecom sector is possible unless there is an effective and strong regulatory authority. In view of the raging controversy between the TRAI and the DOT over the powers and jurisdictions of each other, the Union Government intends suitable amendments in the TRAI Act to create investor's confidence and a level-playing field between public and private operators. Taking into account the convergence of telecom, computers, television and electronics, a group of experts is being constituted to recommend a new legislation in place of the India Telegraph Act 1885 as it has lost its relevance.

Corporatisation

As a first step towards corporation of the DOT as spelt out in the NPT 1999, the DOT's service provision and policy-making functions have been separated with the creation of a new outfit called the Department of Telecom Services (DTS). This will enable the public sector to cope with the emerging challenges of competition and the new technologies as also create a level-playing field in the telecom sector.

The Government is committed to an expeditious implementation of the NPT 1999 to achieve the objective of providing universal access to a world-class telecom services at the lowest possible price to the people. It is laying much stress on tribal areas and the North-Eastern States for providing telephone services.

— PIB

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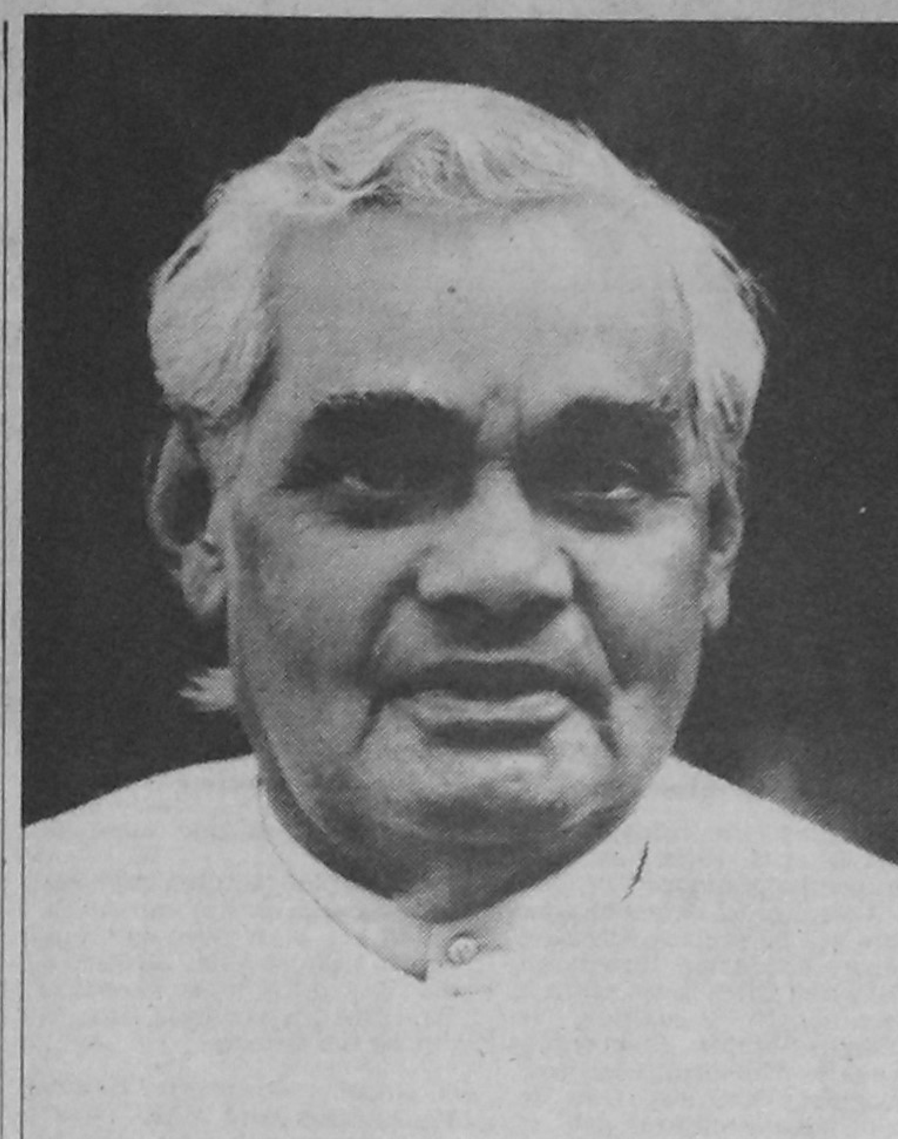
K R Narayanan
President of India



A B Vajpayee
Prime Minister of India

India into the New Millennium

Socio-economic Progress

by Sidharth Bhatia

ON December 30, 1999, the Indian stockmarkets ended the year with a bullish fervour, pushing the Bombay Stock Exchange sensitive index beyond the coveted 5000 points mark. It had been an exhilarating year for the Indian bourses, when the markets went up to unprecedented highs and Indian stocks soared to stratospheric levels. This was the year when Indian companies listed, for the very first time, on US stockmarkets — two of them on NASDAQ and another on the New York Stock Exchange. And, in keeping with international trends, the outgoing year was also when technology stocks, the current favourites on US bourses, outstripped the traditional sectors on the stockmarkets.

Today, the Indian stock markets, with a total market capitalisation of more than 230 billion dollars, are the third largest in the world, behind NASDAQ and Tokyo and much ahead of many emerging markets around the globe. On January 3, the first trading day of the new millennium, the markets surged by almost 7 percent as it became apparent that the Y2K bug had not bitten and the prospects for India's economic future were exceedingly bright. India has been growing at around 6 percent every year for the past five years or so and is now the 5th largest economy in the world in purchase parity terms.

Fittingly, these developments are taking place when India is completing 50 years of the Republic, which came into being this day in 1950. That was the day when the newly independent country, fresh from shedding of the yoke of colonialism, adopted its new constitution. The constitution has stood the test of time and has underpinned India's vibrant democracy and republicanism.

But while the constitutional bedrock of the modern Indian State has remained steadfast, India itself has changed considerably in the last 50 years. At the time of independence, in 1947, India was ravaged by food shortages (the Bengal famine of 1943 had killed over 2 million lives), a weak economy and the bloody aftermath of the partition of the sub-continent, which saw the biggest single mass migration of human beings in history. Health, sanitation, housing, education and many other basics were lacking for most of the population and the lack of industrial and other economic activity meant that jobs were few and far between.

The founding fathers of the Indian state realised that they had immense challenges facing them and set about their task; but they never lost sight of the fact that while socio-economic development was critical, human dignity and democratic ideals were non-negotiable. Throughout these 50 years, this balance has been maintained.

How far India has travelled in these five decades can be gauged from some figures: in 1947, total foodgrain production in India around 53 million tonnes-today it is around 200 million tonnes. The foodgrains production has constantly surged ahead of the population growth rate and today India is totally self-sufficient, a far cry from being a food aid dependent country even in the 1960s.

On many other socio-economic fronts too India has progressed — life expectancy, literacy, health availability and education. Perhaps the most significant strides have been on the economic side, which have transformed India from a poor, under developed country to an economic powerhouse in a few decades.

At the time of independence, the Indian economy was in the hands of foreign capital, which had a stranglehold in manufacturing, transport and even agriculture, by way of ownership of plantations etc. There were barely a handful of Indian industrialists and almost no middle-level Indian business houses. Gradually, the new government began setting legislative mechanisms in place to either nationalise some existing industries or to finance the setting up of new companies. Foreign capital was welcome without any discriminatory restrictions the Indian Prime Minister Jawaharlal Nehru declared.

More importantly, the Indian government put into motion comprehensive plans to industrialise the Indian economy by setting up infrastructure projects that the private sector could not manage. Nehru called the Indian public sector as occupying the "commanding heights" of the Indian economy and within a few years, India had set up steel plants, dams, electricity utilities and oil companies.

The state followed a two-pronged policy: encouraging small and medium private enterprise while investing in capital intensive projects that generated employment. Yet, growth was not in any way spectacular; India grew at the modest rates of about 2 percent per annum and this was derisively termed as "The Hindu rate of growth", thus casting a cultural spin on India's capabilities.

By the late 1970s, India, had begun to get self-sufficient in food, thank's to the "green revolution" that transformed the agricultural scenario with the help of high-yield seeds, Simultaneously, with the nationalisation of banks, loans were available to the small scale sector — a humble shoemaker and a manufacturer of auto parts both stood a good chance of getting financing from banks. The small business sector boomed and this resulted in not only the creation but also the spread of wealth across the land.

By the 1980s, India's investments in primary and secondary education had begun to pay off and a new entrepreneurial spirit was also beginning to flower. Indians have always been enterprising and even three decades of a planned economy had not dimmed that drive. The government too, realising that the need for controls, so important in the early stages of a fledgling nation, had diminished and began opening up the Indian economy.

The beginning of the decade saw India hit an economic crisis as foreign exchange resources dipped to an all time low, at one point amounting to less than six weeks of imports. There were unfounded rumours that India, which had never defaulted on its international interest payments, would not be able to pay up.

The Indian policy makers responded by turning a problem into an opportunity — a new round of dramatic economic reforms was launched. The country's closed economy was thrown open to foreign and domestic investors and the message was sent out strongly: India means business. Foreign investors, direct and institutional, headed towards India, lured by its vast market, its English speaking population, its skilled labour and managerial force and above all; its democracy and rule of law.

India-based IT companies too have flowered and prospered and a new IT culture is fast taking root, helped by policies of the government which has made this sector a thrust area.

The writer is a freelance correspondent.

Boom Ahead for Indian Software

by Radhakrishna Rao

INDIAN exports recorded impressive increase in 1998-99 reaching 3.01 billion US dollars as against 1.81 billion US dollars in the previous year. According to the Electronics and Computer Software Export Promotion Council (ECSEPC), IT-related services, E-commerce and value-added products contributed to the sharp increase.

The prospects in the current financial year, 1999-2000, for the sector are even brighter. Exports in the first quarter of the current year (April to June 1999) were estimated at Rs 2270 crore. The National Association of Software and Service Companies (NASSCOM) estimates software exports are growing at a healthy compounded annual growth rate of 55 per cent.

The year 2000 conversion projects (Y2K) accounted for one-fifth of the total software exports from India in the last fiscal. Since 1996, the Indian software export industry has executed more than two billion US dollars worth of year 200o conversion solutions.

Vigorous efforts are being made to diversify the 'range and sweep' of the Indian software exports. Currently, Indian software exports are dependent on the US market, which accounts for more than half of the total software exports from the country. The industry is actively exploring markets in Western Europe and Japan. The share of software exports to West European countries has touched almost 30 per cent. The industry is actively looking for business in Australia, Canada and countries in the Pacific region.

While Karnataka, Tamil Nadu and Andhra Pradesh have already emerged as leading software exporting states, serious efforts are on to make Kerala a software centre. Despite stiff competition from the historic city of Hyderabad, Bangalore continued to account for nearly half of the total software exports from the country.

No wonder, the widely-circulated 'Newsweek' magazine featured Bangalore along with Cambridge, Tel Aviv, Seattle, Singapore and Boston as one of the six hottest high-tech centres shaping on the lines of Silicon Valley in the United States.

To boost the prospects of Bangalore as a 'software Mecca par excellence', the Karnataka Government has set up an office in Milpitas in Silicon Valley. This office will develop and promote IT business in and out of Bangalore and other IT centres in the state.

It is forecast that India's export of software and related services could reach 50 billion US dollars before the target year 2008 if priority is given to development of value-added products.

IT industry representatives say many of the recommendations of the Prime Minister's Task Force on IT have given a boost to software exports. The government now recognises IT as an agent of transformation of every facet of human life which will bring about a knowledge-based industry in the 21st century.

The IT policy aims to speed up development of world-class information infrastructure. This includes extensive spread of fibre optic networks, satcom networks and wireless networks for seamlessly interconnecting the local, national and global informatics infrastructure.

It also aims to provide IT for all by 2008, accelerate the rate of personal computer/set-top-box penetration in the country from one per 500 in 1998 to one per 50 along with universal access to Internet, Extranets and Intranets by the year 2008.

A recent study by NASSCOM says Indian software firms are poised to export software and services worth three billion US dollars for Euro-related information technologies in the next three years. The main opportunities will come from banking and insurance companies.

The Indian software export industry has developed into a high profile industry providing high quality services to foreign clients and netting substantial foreign exchange for the country.

— PTI Feature

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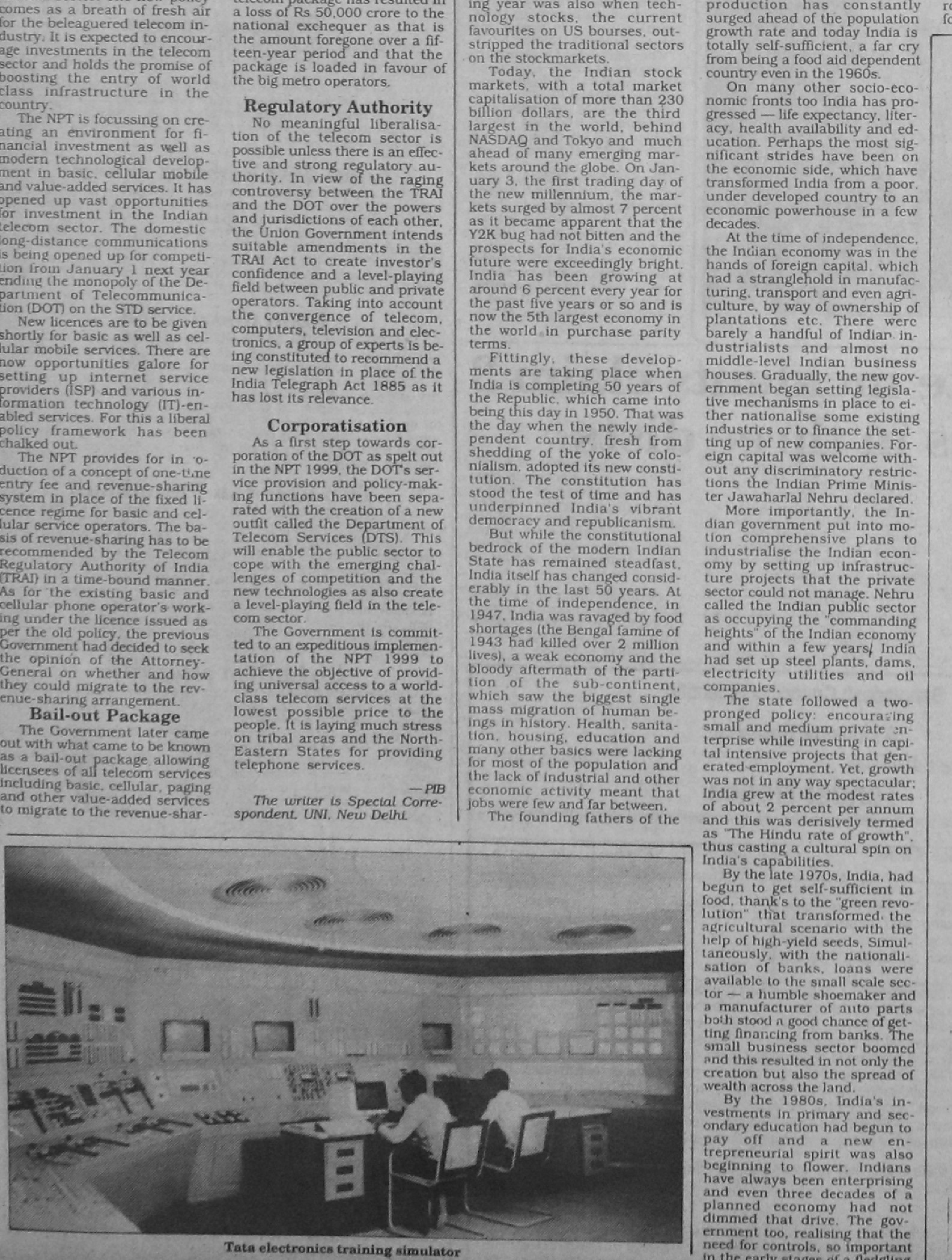

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