Promoting Effective Competition in India

[Session – 3]

Training on Competition and Changing Market Conditions: Impact on ICT Regulation

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By

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Overview

- **Background on Competition**
- **Competition: The Indian Story**

Background on Competition

Principles

- ❖ Non –discrimination
- ❖ Timely Action
- ❖ Flexibility - as market matures
- ❖ Preparing the ground with various policies

Framework of Policies

- License policy-conditions of entry / operations
- Tariff Policy
- Interconnection policy
  - Charges
  - Conditions
- Mergers etc- Limits
- Spectrum policy
  - Charges
  - Allocation mechanism

Policies (Cont'd)

- Policy towards incumbent or significant market operator
- Policy regarding wholesale / retail price of main inputs
- Conditions for intervening

*Aim – keep regulatory impact on costs as low as possible

Additional Tools

- Number Portability
- Local Loop Unbundling
- Encourage competition from more than one Source- e.g. unified license, broadband segments
- Complementary USO policy-but aim at expansion on competitive commercial terms etc.

The Indian Story

Competition: Phases of Policy reforms

First phase of reform

Manufacturing Sector;

Value Added Services

Second phase of reform

NTP 1994

Duopoly / Oligopoly in Services sector;

Bidding for Licenses;

Independent regulator

Third phase of reform

NTP 1999

Open competition;

Revenue sharing

Separation of operator and policy maker;

Privatisation of incumbent

CPP

Lowering ADC

Converged framework

Unified Licensing Regime

- Unified Access Licensing Regime already implemented

Converged Ministry of ICT;

Communication Convergence Bill 2000;

Managing Competition

Ease of entry at any point of time reduces the dominance level.

However, several regulatory Challenges

Regulatory Issues addressed by TRAI

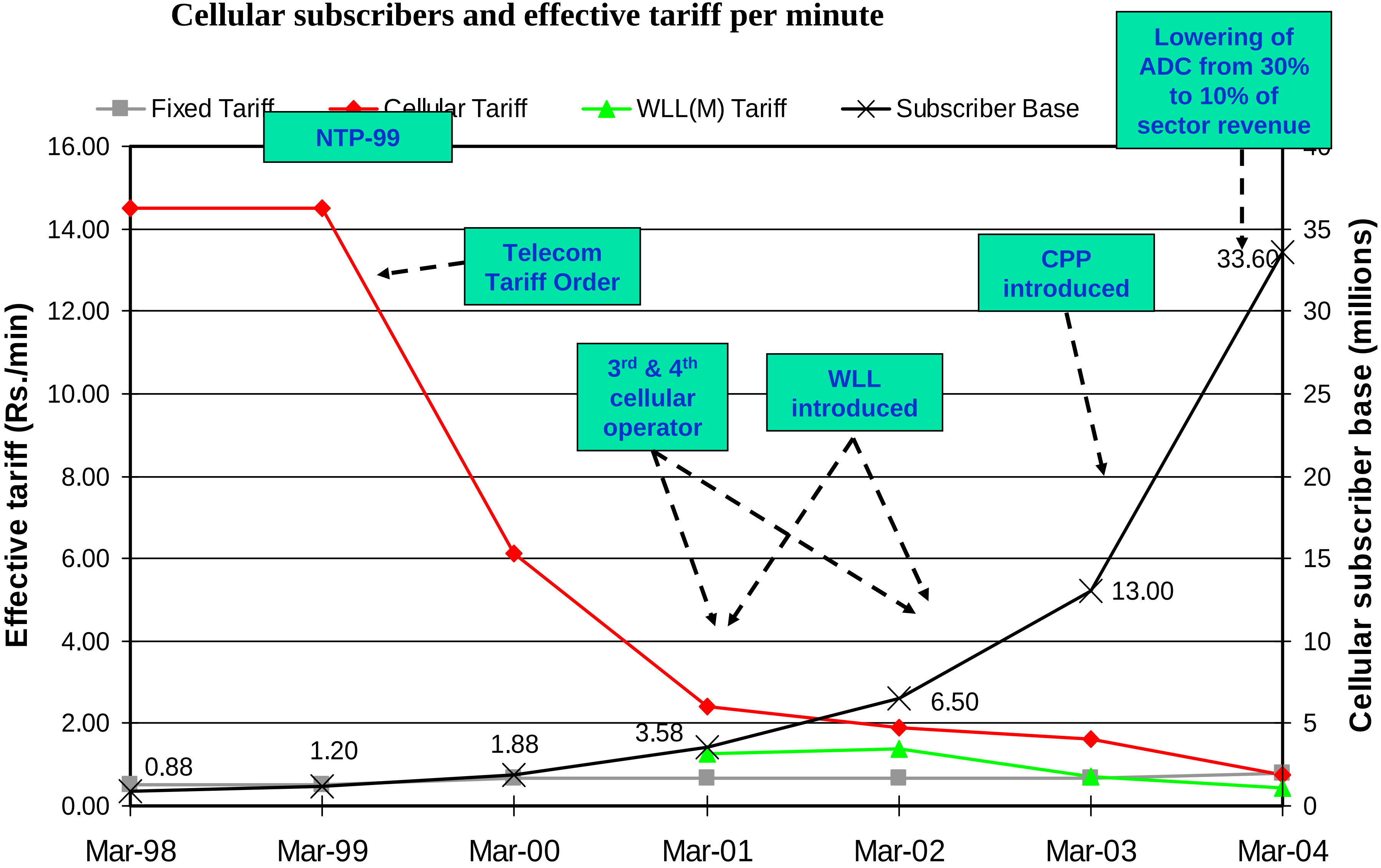
Regulatory Tool Box

USO	Comprehensive USO Policy in place
Interconnection	Issues have been addressed through various regulations and directives; One of the few countries to publish RIO A comprehensive IUC regime too is in place
Tariffs	Telecom Tariff Order & amendments; De-regulation tariffs, starting with cellular tariffs Monitoring of tariffs
Licensing	Based on TRAI recommendations, open competition has been introduced in all sectors except Cellular where there is frequency limitation
QoS	End User Quality of Service regulation, Publicly available customer survey
Competition	Accounting separation, RIO by service providers with Significant Market Power, Merger issues, Provide flexible license conditions

What was achieved

GROWTH IN CELLULAR SUBSCRIBER BASE WITH FALL IN TARIFFS

Cellular subscribers and effective tariff per minute



Impact of measures taken on Government Revenue
License fee + Service tax

		Rs.in billions					
	Year	License fee under old regime	License fee under new regime (post NTP 99)	License fee as per 2001 Regime	License fee as per 2003 Regime	Service tax (Estimated) *	License Fee + Service Tax
1	1999-00	16	3	2		1	3
2	2000-01	23	6	5		2	7
3	2001-02	27	8	6		3	9
4	2002-03	25	9	6		3	10
5	2003-04	25	17	13		11	24
6	2004-05	25	27		17	17	34
7	2005-06	26	46		28	29	58
8	2006-07	27	78		48	50	98
		193	194	32	93	117	243
				125			

•Rate of service tax taken as 5% upto 13.5.03 & 8% thereafter

•*Estimated Service Tax(based on estimated Gross Revenue)

We can achieve the dream – As seen in 2004

ADDRESSABLE CELLULAR MARKET SIZE AND REACH BY 2006

TRAI	**120 Million**
COAI	180 Million
One Service Provider	148 Million
Today	> 200 Million

We can achieve the dream (Cont'd)

Present Coverage of Mobile Networks

(Population Coverage 20%)

	By area	*Population Coverage*
Towns	~1700 out of 5200	~200 Million
Rural areas	Negligible	Negligible

Proposed Network Coverage by 2006 ; operators plan

(Population Coverage 75%)

	By area	*Population Coverage*
Towns	~4900 out of 5200	~300 Million
Rural areas	~350,000 out of 607,000 villages	~450 Million

We have to facilitate / encourage implementation of operator's plans. This got delayed as Government took 3 years to approve mobile tower scheme proposed by TRAI. Now 100% coverage by 2009. This is now driving rural markets.

We can achieve the dream(Cont'd)

Mobile coverage beyond the urban population in selected countries, by region, 2002.

Region	Country	Pop. Covered by mobile signal	% of urban pop. in country
Africa	**Cape Verde**	90%	53%
	South Africa	93%	53%
	Togo	90%	38%
	Zambia	50.5%	44%
Americas	**El Salvador**	85%	45.6%
	Eucador	86%	63.6%
	Gautemala	68%	40%
	Mexico	89.9%	74.7%
Arab States	**Jordan**	99.5%	78.7%
	Morrocco	95%	55.9%
Asia-Pacific	**Korea-Rep.**	99%	84%
	Malaysia	95%	62%
	Philippines	70%	58.6%
Europe	**Azerbaijan**	94%	50.8%
	Belarus	72%	70.7%
	Czech Republic	99%	71%
	Slovak Rep.	98%	56.1%

Source:- ITU World Telecommunication Indicators Database

We can achieve the dream (Cont'd)

International comparison: India's per capita holds higher Teledensity potential

Country	GNI Per Capita PPP 2002, USD**	Teledensity*	
		2002	2003
India	2570	4.8	6.7
Bolivia	2300	17.22	23.81
Georgia	2210	23.35	23.98
Moldova	1560	19.69	23.76
Ecuador	3130	23.08	30.32

Source: * ITU database

** World Development Indicators data, World Bank July 2003

Key ongoing issues for this purpose

- Unified licensing
- ADC Review
- Spectrum Related issues
- Review of USO practices
- Internet and Broadband growth

Thank You