

Telecom News

September 11, 2006 – September 17, 2006

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Policy

■ The Department of Telecommunications (DoT) has proposed an extension, till December 3, to telecom service providers for adhering to the revised guidelines for enhancing foreign direction investment (FDI) to 74 per cent. This proposal, contained in a draft note, will be placed before the Cabinet shortly. As per the proposed revision, the shares of a person residing outside India cannot be transferred to any other person overseas without the Foreign Investment Promotion Board's (FIPB) approval. The government will also allow foreign chief executives, chief technology officers, and chief financial officers in domestic telecom companies with up to 49 per cent FDI. However, companies with more than 49 per cent FDI can appoint foreign nationals to such positions subject to clearances from the home ministry.

■ In order to carry out trial runs of 3G spectrum, the government has provided low-power spectrum to GSM players like Bharat Sanchar Nigam Limited (BSNL), Mahanagar Telephone Nigam Limited (MTNL), Bharti and Hutch to undertake interface checks on a non-commercial basis. The trial spectrum has been given for one month and is 1/1000 of the actual 3G spectrum capability. It has been provided to those that had applied for it under the National Frequency Allocation Plan on the 2.1 Ghz band. Reliance Communications has also reportedly sought 3G spectrum in six CDMA circles and seven GSM circles to test its equipment and services for its 3G services.

■ DoT will finance the entire Rs 9.8 billion required to create an optical fibre cable network, which will enable the defence forces to vacate 45 MHz of spectrum for use by commercial cellular service providers. It has also decided to transfer the network to Defence after BSNL rolls out the network.

■ DoT has sought the Telecom Regulation Authority of India's (TRAI) views on the private cellular operators' proposal to abolish rollout obligations

stipulated in the licence conditions because similar obligations for fixed-line telephone operators and long-distance service providers have been removed. It has asked the regulator to consider the issue due to the "poor quality of service" being offered by the cellular operators. According to COAI, the rollout obligations may have been necessary earlier when private service providers were yet to demonstrate their commitment to the growth of telecom services.

■ Telecom operators, gearing up to offer third generation services, will have to pay for separate spectrum. It has not been decided whether there would be a separate service licence for offering 3G services. However, telecom operators have reportedly stated that their current unified access services licences allow them to offer 3G services, and ruled out any separate 3G licence.

Regulation

■ TRAI has directed mobile operators not to fix termination charges on roaming calls among themselves. The tariff should be a uniform Re 0.30 per minute for all roaming calls as prescribed by the Interconnect Usage Charges regulation. The regulator stressed that there was no justification for a revenue-sharing regime among the various players for roaming calls. According to the recently released TRAI report, the terminating operator should only receive the termination charge and not share revenue with the originator.

■ TRAI has reportedly recommended to TDSAT to consider only that revenue accruing from the operators' telecom services for computing the adjusted gross revenue. This is against the current practice of including revenue from non-telecom services as well.

Cellular Services

■ MTNL and Reliance Communications have finalised plans to jointly explore and launch operations on foreign shores. This is the first time a PSU and a private firm is entering into a memorandum of understanding (MoU) to jointly scout for global opportunities. The companies are

reportedly likely to bid for telecom licences in Morocco and Kenya. The agreement, for one year states that both companies may agree not to work with any other third party on the same opportunity without the written consent from the other party.

■ **MTNL has made the cut to bid for the second national telecom operator licence in Kenya.** The two Indian majors, MTNL and Bharti have joined five other bidders including France Telecom, South Africa's Telkom and Emirates Telecommunications. Bharti has bid for the Kenyan licence via its Mauritius-based arm Bharti Venturetech.

■ **Reliance Communications** has filed **three petitions to TDSAT against BSNL and MTNL**, relating to **rentals charged for points of interconnections and recovery suits**. It alleged that despite TDSAT's direction, BSNL levied rental charges on telecom companies for providing points of interconnect. The chairman, justice, has asked the two PSUs to reply within five weeks.

■ **BSNL has short-listed HCL, Wipro, and Tata Consultancy Services** for its **Rs 6-billion project to set up an MPLS-based network system (IP based network)**. The network will comprise carrier class of high end core routers, edge routers, layers, switches, VoIP equipment etc. This will provide all kinds of video, voice and data services on a turnkey basis. BSNL is executing the project for the Indian Air Force.

■ **Reliance plans to bid for mobile licences abroad in Kenya, Bhutan and Morocco and provide high-end business process outsourcing services.** The firm also plans to launch IPTV and other media services to consumers in foreign markets after offering them in India. To **carry these services**, the **group will set up three broadband cable networks**: one from India to China through Nepal, two, between Asia and the US and three, an extension of its falcon cable from the Maldives to East Africa.

Long Distance Services

■ **DoT has decided to permit US telecom**

giant AT&T's Indian subsidiary, AT&T Global Network India Private Limited, in which AT&T has 74 per cent stake, **to operate both international and national long-distance services in the country subject to a clause.** The clause reserves DoT's right to take action (including cancellation of the licence to operate these services) if ongoing investigations against AT&T find the company guilty of evading taxes and operating long-distance services without a licence.

Internet & Broadband

■ **Videsh Sanchar Nigam Limited (VSNL) may invest up to \$200 million in its South African venture, Neotel over the next three years.** VSNL would also stop further investments in Tata Teleservices Limited as its resources would reportedly be directed towards its overseas acquisitions such as Tyco international's undersea fibre optic cable unit and Teleglobe International Holdings Limited.

Finance

■ **The Aditya Birla Group is considering an initial public offer to sell around 20 per cent of its stake in Idea Cellular by early 2007.** A public float would reportedly help Idea get money for expansion and increased visibility. The group is also not averse to a pre-IPO placement to benefit from the current interest in the telecom sector.

■ **MTNL and BSNL have finalised the structure and other issues involved in the setting up of their 50:50 joint venture**, to be named **Millenium Telecom Company (MTL)**. The firm will oversee the construction and operation of the PSUs' undersea cable business. The shareholder agreement will reportedly be finalised shortly. As per the deal between the two PSUs, MTNL will only act as an infrastructure provider and not as an international long-distance service provider. Moreover, in case of divestment of equity, the first right of equity would be given to the other partner. The companies must also sign an undertaking to use MTNL's infrastructure for a minimum period of 20 years.