

TELECOM REGULATORY AUTHORITY OF INDIA

October 3, 2005

PRESS RELEASE No. 78 /2005

TRAI PROVIDES ITS RECOMMENDATIONS ON GROWTH OF TELECOM SERVICES IN RURAL INDIA

TRAI today released its Recommendations on growth of Telecom Services in Rural India. The recommendations provide for a higher quantitative and qualitative growth in telecom services in the country, particularly in rural areas. Since tele-density is interlinked with the level of development, the large differential between rural (1.94%) and urban tele-density (31.1%) cannot be sustainable. The Authority recognizes that without focus on rural areas, sizeable growth in telecom sector would not be possible.

The present USO Policy of subsidizing individual DELs, VPTs, MARR replacement, PTICs/HPTICs would barely be able to achieve rural tele-density targets of 4% by 2010 even after giving huge subsidy support of around Rs.30,000 crores. Neither such low tele-density in rural areas in 2010 nor such high subsidies to achieve so little can be acceptable. Therefore there is clearly a need for a re-look at our traditional policies regarding the communication needs of rural areas. A time has come that our policies of reaching telecom to villages are looked as a “Universal Service Opportunity” rather than a “Universal Service Obligation”. The time is ripe for such a changeover.

The Authority has further recognized some features of the Indian rural market, viz. substantial purchasing power if the price of produce is right, the expansion of broadband/Internet services provided by Indian Corporates and the immense popularity of cable TV in India, to an extent that such connections are far in excess of fixed line telephones – a feature not seen anywhere else in the world. The proposed policy should look at this feature and encourage triple – play networks. This can be facilitated by Unified Licensing Regime, already recommended by the Authority to the Government.

The Authority has recommended that an alternative approach of facilitating network infrastructure expansion should be adopted. This approach proposes to offer financial incentives to service providers in the form of coverage of partial cost of shared infrastructure and license fee and spectrum charge reduction based on the number of rural base station locations. If the proposed scheme is implemented early then TRAI’s experience of mobile

growth in urban areas indicate that India would achieve rural tele-density of around 15% by December, 2007 and this combined with expected urban tele-density of around 43% would take the overall tele-density to 22.98% easily meeting the target of 250 million subscribers set out by the Hon'ble Minister of Communications & IT. If the present USO Policy continues then it is expected that India would achieve rural tele-density of only around 3% by 2007 end and in order to achieve the subscriber base target of 250 million it would require an urban tele-density of 70% by December, 2007 which is too ambitious a target for urban areas and even if achieved would create a much larger rural/urban divide, which cannot be an acceptable policy.

Authority has noted that there are already contractual commitments in the present USO policy. Accordingly during the validity of these agreements both the schemes may work in parallel and fortunately there would be balances in USOF to fund both, but ultimately only the network infrastructure expansion approach should be followed for providing support from the USOF.

The salient features of TRAI's recommendations are as follows:-

- **Sharing of infrastructure to receive support from USO**
- **Supporting backbone infrastructure through USO fund**
- **Discount in Annual License Fee and Spectrum Charges linked with Rural Coverage.**
- **Development of suitable applications**
- **Reduction of rural VSAT license fees and spectrum charges and provision of transponders at affordable rates**
- **No right of way charges for networks in rural areas**
- **Niche Operators to be supported from USOF and exemption from spectrum charges**
- **No spectrum fees for usage of CorDECT and similar technologies in rural areas as well as for usage of 450 MHz**
- **No prior SACFA clearance for deployment of towers upto 40 m. in rural areas.**
- **Funds collected as Universal Access levy should be made available to USOF**

Full details may be seen at TRAI's website : www.trai.gov.in