

India calls for new telecom players

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In yet another step to woo foreign investors and new players to its burgeoning telecom sector, India has decided to open up the latest mobile rage of 3G services only to new telecom players that have not started operations in the country yet.

Communications and IT Minister Dayanidhi Maran said on Tuesday that third-generation telephony in India will be opened up by March 2006, when the spectrum for 3G would be released.

"Just like it happened in Europe, we want new players who are currently not offering telecom services to enter the 3G segment," said Maran, adding that to ensure prices are competitive and consumers do not end up paying a hefty price for 3G, the country needs new entrants capable of investing "a lot of money."

If 3G is indeed opened up, India will finally join the club of countries -- including all of Europe, South Africa, most of Asia, Australia, New Zealand, some of U.S. services, Canada and United Arab Emirates among others -- that have this cutting-edge telecom service.

3G is a third-generation technology for mobile communications that brings the advantages of high-speed data transfer of up to 2 megabytes per second, enabling a wide range of value-added services like video telephony, TV viewing and -- most importantly for India -- e-governance.

Following the failure of the first round of 3G due to exorbitant bidding

for 3G spectrum by telecom companies in Europe, there has been intense speculation over the last 18 months on whether India should open up the 3G spectrum at all, and if it did, whether it should be priced or not.

In fact, back in May last year -- when he was made a minister -- Maran, while unveiling his 10-point IT and telecom agenda, had expressed doubts over the usefulness of implementing 3G in the country.

"I plan to leapfrog from the current generation of mobile telephony to the next 4G. Currently, India uses the technology of GSM (2.5 G) and CDMA for mobile telephony. The 3G standard has been evolved, but has not proved cost-effective. I therefore plan to leapfrog this generation and develop 4G technology," Maran had said.

Moreover, skeptics like Archana Sasan, a telecom analyst with a local consultancy firm Kochhar & Co., also felt that 3G was unsuitable for India. "The network upgradation required to provide 3G services would require substantial investments and could be very extensive," she said. "Keeping in mind the cost of rolling out 3G networks, which includes the proposed entry fee for 3G spectrum (which could be high), the cost of upgrading handsets, etc. and the requirement of providing cost-effective 3G services thereafter, 3G has limited potential in India."

However the pro-3G camp, which includes the Cellular Operators Association of India, says that if the government decides on a low or no license entry fee, 3G would work successfully.

Maran though is mum on license fees and just says, "India is also looking forward for introducing 3G services."

According to him the effort to open the telecom gates to 3G is the country's second effort this year to attract more telecom foreign

investments; the first was the clearance of the almost 2-year-old proposal of hiking the foreign direct investment limit in the telecom sector to 74 percent from 49 percent, which was implemented in October.

But that liberalization came with a few caveats. For instance, it mandated that the remaining 26 percent must be held by resident Indians or Indian companies, with the qualification that the shareholding of local banks and financial institutions will be treated as Indian holding.

Moreover, local telecom companies will have to disclose the status of their foreign holdings every six months, and key positions like that of chairperson and managing director, chief technical officer, chief operating officer and chief executing officer must be held by resident Indians.

Nevertheless, Maran's efforts appear to be paying off -- at least for now. Early this month -- barely a week after India upped the foreign-direct-investment limit -- the U.K.-based Vodafone group, the world's largest mobile telecom company, announced its decision to pick up a 10-percent stake in Bharti Tele-Ventures Limited, one of the country's leading cellular providers, for \$1.5 billion.

And, although while announcing the deal Arun Sarin, Vodafone's chief, just said that "This transaction is consistent with Vodafone's strategy of developing our global footprint in growth markets," local industry sources suspect that perhaps Vodafone is the country's first 3G aspirant.

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