

## Facilitating Investments and serving Low Income Areas

### Scope

This paper broadly brings to focus some of the issues relevant to investments in the telecom sector and as well as to the possibility of serving low income markets. It also considers the impact of policy and regulatory controls on the success of the business. No doubt the issues are today well known and a number of solutions are articulated and implemented in isolation, yet there is a scope for addressing the issues and attempting to suggest some solutions on key issues which can facilitate investment decisions and also operations in low income areas.

### **1. Policy**

World over the telecom sector has more or less completed the transition from being a service to a Telecom product capable of being sold on line in terms Minutes and MHz. It has been demonstrated that this sector is capable of bringing in advantages of competitive play to the limit .This is also the sector that is constantly being pushed by technological developments necessitating constant change and investment to fund upgrades of capacity and technology and is therefore highly sensitive to the prevailing Telecom, economic and financial policies which greatly influence the upfront business set up, upgrade and operative costs. The political and financial stability as well as strong support is seen as a necessity to promoting confidence, facilitating investments. The needs of the sector are highly dependent of degree of liberalization and depth of competition as well as economic growth of the country, local culture and traditions. There is therefore a demanding need for a constant review of various policies impacting the growth of the sector and fine tuning to remove bottlenecks to growth of the sector and setting in of the competition. The suggestion is

- To review the policies not only periodically but also to address any issues that may arise from time to time and do not lend themselves to a reasonable solution.

## 2. Spectrum

Spectrum is undoubtedly the most debated and discussed subject. It is indeed scarce and limited, impacts cost of services and its efficient usage must be encouraged. Its cost be kept within reasonable limits. It is also a fact that the spectrum slot made available impacts costs and can therefore lead to non level playing field conditions amongst the early entrants who get lower bands and the later entrants who get higher bands. This issue could be addressed by differential pricing i.e. pricing the 900 MHz spectrum at a higher level than the 1800 MHz. The allocation process can also lead to trading and speculative procurement leading to undesirable escalations in service provision cost. Therefore there is a need to introduce suitable measures to ensure minimum roll out obligations before changes in ownership in whole or in parts and linking spectrum to the license.

There is indeed a strong linkage of the spectrum utilization to the network costs and therefore to promote efficient usage of spectrum it is necessary to set benchmarks and then reward efficient utilization exceeding the benchmarks.

The suggestions therefore are

- Differential pricing of the spectrum
- Barriers to Trading in spectrum
- A negative License fee /spectrum charge element based on benchmarked efficient usage of spectrum

## 3. Infrastructure

**The costs of electronics have been dropping very rapidly in the recent past as compared to rather steady costs of passive infrastructure like towers and related items. Sharing of infrastructure can indeed bring down the cost of service provision especially for new entrants in already mature market. It is currently picking up pace but needs further encouragement through policy initiatives. The suggestions are**

- **The sharing need to be extended to other areas like application platforms as well other active elements of the network.**
- **Policy should permit infrastructure sharing to the full degree possible to bring down not only the input capital cost but also the operating costs.**
- **This liberalization could extend across the international boundaries**

#### **4. Interconnection**

**Is mandatory yet most difficult and time consuming for the new entrant to achieve for various known reasons and are not proposed to be enumerated. The suggestion for consideration is**

- **To provide interconnection through an independent licensed entity**
- **To mandate interconnection only through this entity**
- **The settlement rate to account for traffic offered /carried ratio**

#### **5. Number portability**

**Is a regulatory requirement which is considered consumer friendly facilitating change of service provider without need for change of the subscriber number. Most of the countries have been unable to implement it for various reasons. Solution here as well would be to perhaps consider an independent regulatory services platform which could be clubbed with the interconnection license.**

- **To license an independent entity to provide the Number Portability service.**

#### **6. Serving Low income areas**

**Low income areas will be in urban as well as rural environment the rural environment being an additional challenge due to cost of service provision to low density areas. Yet the challenge is to bring down the cost of service provision to retain affordability of service to the low income user on one hand and retain viability of operations on the other.**

**Apart from the factors discussed above that will bring down the costs and facilitate investments**

**Consider differential license fee for**

- **Various services**
- **Levels of ARPU's**

## **7. Conclusion**

**The Policy and regulations deeply impact investments and cost of services and can indeed be developed to foster competition and bring down the cost of services in real term making it possible to serve low income markets. There are number of other initiatives that a service provider could innovate by covering service provision costs through commercial activity carried out through Tele - applications.**

**The suggestions for consideration therefore are**

- To review the policies not only periodically but also to address any issues that may arise from time to time through policy changes if called for.
- Differential pricing of the spectrum
- Barriers to Trading in spectrum
- A negative License fee /spectrum charge element based on benchmarked efficient usage of spectrum
- To provide interconnection through an independent licensed entity and to mandate interconnection only through this entity
- The settlement rate to account for traffic offered /carried ratio
  - Differential license for
    - **Various services**

- **Levels of ARPU's**

- **The sharing needs to be extended to other areas like application platforms as well other active elements of the network.**
- **Policy should permit infrastructure sharing to the full degree possible to bring down not only the input capital cost but also the operating costs.**
- **This liberalization could extend across the international boundaries**