National Telecom Policy, 1994

Introduction:

1.The new economic policy adopted by the Government aims at improving India's competitiveness in the global market and rapid growth of exports. Another element of the new economic policy is attracting foreign direct investment and stimulating domestic investment. Telecommunication services of world class quality are necessary for the success of this policy. It is, therefore, necessary to give the highest priority to the development of telecom services in the country.

Objectives:

2.The objectives of the New Telecom Policy will be as follows :

- The focus of the Telecom Policy shall be telecommunication for all and telecommunication within the reach of all. This means ensuring the availability of telephone on demand as early as possible.
- Another objective will be to achieve universal service covering all villages as early as possible. What is meant by the expression universal service is the provision of access to all people for certain basic telecom services at affordable and reasonable prices.
- The quality of telecom services should be of world standard. Removal of consumer complaints, dispute resolution and public interface will receive special attention. The objective will also be to provide widest permissible range of services to meet the customer's demand at reasonable prices.
- Taking into account India's size and development, it is necessary to ensure that India emerges as a major manufacturing base and major exporter of telecom equipment.
- The defence and security interests of the country will be protected.

Present Status:

3.The present telephone density in India is about 0.8 per hundred persons as against the world average of 10 per hundred persons. It is also lower than that of many developing countries of Asia like China (1.7), Pakistan (2), Malaysia (13) etc. There are about 8 million lines with a waiting list of about 2.5 million. Nearly 1.4 lakh villages, out of a total of 5,76,490 villages in the country, are covered by telephone services. There are more than 1 lakh public call offices in the urban areas.

Revised Targets:

4. In view of the recent growth of the economy and the reassessed demand, it is necessary to revise the VIII Plan targets as follows:

- Telephone should be available on demand by 1997.
- All villages should be covered by 1997.
- In the urban areas a PCO should be provided for every 500 persons by 1997.

- All value-added services available internationally should be introduced in India to raise the telecom services in India to international standard well within the VIII Plan period, preferably by 1996.

Resources for the Revised Targets:

5. The rapid acceleration of Telecom services visualised above would require supplementing the resources allocated to this sector in the VIII plan. The total demand (working connections + waiting list) showed a rise of nearly 50% from 7.03 million on 1.4.1992 to 10.5 million on 1.4.1994 over a three year period. If the demand grows at the same rate for the next three years, it would touch about 15.8 million by 1.4.1997. The actual rate of growth is likely to be higher as the economy is expected to grow at a faster pace. Achieving the target of giving telephone on demand by 1997 would thus imply releasing about 10 million connections during the VIII Plan as against the existing target of 7.5 million. Release of 2.5 million additional lines alone would require extra resources to the tune of Rs. 11,750 crores at a unit cost of Rs. 47,000 per line at 1993-94 prices. To this must be added the requirement on account of additional rural connections of Rs. 4,000 crores.

6.Even with the comparatively modest targets of the VIII Plan, as originally fixed, there is a resource gap of Rs. 7,500 crores. The additional resources required to achieve the revised targets would be well over Rs. 23,000 crores. Clearly this is beyond the capacity of Government funding and internal generation of resources. Private investment and association of the private sector would be needed in a big way to bridge the resource gap. Private initiative would be used to complement the Departmental efforts to raise additional resources both through increased international generation and adopting innovative means like leasing, deferred payments, BOT, BLT, BTO etc.

Hardware:

7.With the objective of meeting the telecom needs of the country the sector of manufacture of telecom equipment has been progressively re-licensed. Substantial capacity has already been created for the manufacture of the necessary hardware within the country. The capacity for manufacture of switching equipment, for example, exceeded 1.7 million lines/year in 1993 and is projected to exceed 3 million line/year by 1997. The capacity for manufacture of telephone instruments at 8.4 million units per year is far in excess of the existing or the projected demand. Manufacturing capacities for wireless terminal equipment, Multi Access Radio Relay (MARR) for rural communication, optical fibre cables, underground cables etc. have also been established to take care of the requirements of the VIII Plan. With the revision of the targets demand would firm up and there would be an incentive to expand the capacities to meet the extra requirement.

Value Added Services:

8.In order to achieve standards comparable to the international facilities, the sub-sector of value-added services was opened up to private investment in July 1992 for the following services :

- Electronic Mail
- Voice Mail
- Data Services
- Audio Text Services
- Video Text Services
- Video Conferencing

- Radio Paging
- Cellular Mobile Telephone

9. In respect of the first six of these services companies registered in India are permitted to operate under license on non-exclusive basis. This policy would be continued. In view of the constraints on the number of companies that can be allowed to operate in the area of Radio Paging and Cellular Mobile Telephone Service, however, a policy of selection is being followed in grant of licenses through a system of tendering. This policy will also be continued and the following criteria will be applied for selection :

Track record of the company;

- Compatibility of the technology;
- Usefulness of the technology being offered for future development;
- Protection of national security interests;
- Ability to give the best quality of service to the consumer at the most competitive cost; and
- Attractiveness of the commercial terms to the Department of Telecommunications.

Basic Services:

10. With a view to supplement the effort of the Department of Telecommunications in providing telecommunication services to the people, companies registered in India will be allowed to participate in the expansion of the telecommunication network in the area of basic telephone services also. These companies will be required to maintain a balance in their coverage between urban and rural areas. Their conditions of operation will include agreed tariff and revenue sharing arrangements. Other terms applicable to such companies will be similar to those indicated above for value-added services.

Pilot Projects:

11.Pilot projects will be encouraged directly by the Government in order to access new technologies, new systems in both basic as well as value-added services.

Technology and Strategic Aspects:

12.Telecommunication is a vital infrastructure. It is also technology intensive. It is, therefore, necessary that the administration of the policy in the telecom sector is such that the inflow of technology is made easy and India does not lag behind in getting the full advantage of the emerging new technologies. An equally important aspect is the strategic aspect of telecom, which affects the national and public interests. It is, therefore, necessary to encourage indigenous technology, set up a suitable funding mechanism for indigenous R&D so that the Indian Technology can meet the national demand and also compete globally.

Implementation:

13.In order to implement the above policy, suitable arrangements will have to be made (a) protect and promote the interests of the consumers and (b) ensure fair competition.