

First step to NTP 2011

October 10, 2011

First Look

Breaking news, market events and company announcements

The draft New Telecom Policy 2011 released today is a step in the right direction, but is still a long way from providing full regulatory clarity on key issues in our view. Specifically, it did not provide further details on 1) spectrum renewal charges, 2) spectrum refarming, 3) license/spectrum levies and 4) guidelines for consolidation or exit of some of the players. These are the key concerns at this point and will likely continue to overhang the sector. The policy is expected to be finalised by Dec 2011. Separately, a spectrum act is proposed to holistically address issues related to spectrum management.

Some of the key highlights of the policy include:

Spectrum management

- 1) The government will work to make 300Mhz of incremental spectrum available by 2017 and another 200Mhz by 2020 – this is a positive if it can be achieved; we note spectrum allocation per operator in India is one of the lowest in the region.
- 2) To enact a new Spectrum Act for addressing all issues related to allocation, pricing, withdrawal, monitoring of spectrum.
- 3) Spectrum pricing is expected to be formed by 'market –related' process
- 4) To allow for spectrum sharing, pooling eventually moving towards trading.

Licensing

- 5) Delinking of spectrum and license
- 6) Issuing a single nationwide license in the future (vs. 22 individual ones)
- 7) The licenses will be for 2 categories – 1) Network Service Operator – i.e., for infrastructure providers; and 2) Service Delivery Operator – i.e., for service providers.

Consolidation

- 8) To frame an 'exit policy' for players

Consumer-related

- 9) Remove roaming within the country - we note roaming is around 7-8% of revenues for GSM operators (according to TRAI), and this would be a negative, although could be partly offset by increasing usage.
- 10) Support full MNP across the country, although we note intra-circle MNP earlier this year had limited impact on the competitive landscape

Others

- 11) Strong focus on broadband – target for broadband connections is 175mn connections by 2017 and to deliver download speed of 2 Mbps by 2015 (from 256kbps now)

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See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

- 12) To rationalise taxes/levies in the sector – this is a positive; we note annual license fees and spectrum charges are currently under review.
- 13) To recognise Telecoms as an Infrastructure sector – this could improve access to financing
- 14) Creation of a Telecom Finance Corporation for channelling investment into the sector
- 15) Review of TRAI act in order to address issues that affect ‘effective discharge of its functions’.
- 16) Focus on convergence of services, networks and devices

Appendix A-1

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