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Direction of telecom reforms needs change

HT Correspondent

NEW DELHI, Oct. 29

The need to change the direction of the liberalisation in the telecom sector was emphasised at a sectoral discussion on telecommunications, information technology and multimedia during the India Economic Summit organised by the World Economic Forum (WEF) and the Confederation of Indian Industry (CII) here today.

The panel comprised Mr Kenneth Courtis, strategist and chief economist, first Vice President, Deutsche Bank Group Asia, Japan, Mr N. S. Ramachandran, chairman and managing director, Mahanagar Telephone Nigam Ltd., Mr N. Seshagiri, director general, National Informatics Centre, Mr N. Vittal, chairman, Public Enterprises Selection Board (PESB) and Mr Raj Gupta, director (Development), Videsh Sanchar Nigam Ltd.

Addressing the participants, Mr Kenneth Courtis highlighted the remarkable growth being witnessed in the Chinese telecom market and stated that according to projections, the Asian market is slated to account for more than half the global telecom growth in the near future.

Referring to the massive need of financial flows to the sector, Mr Courtis commented that the low savings rate in India at 24 per cent of GNP compared poorly with the average in the rest of Asia, of 35 per cent. He added that the restrictive telecom policy was greatly impeding the competing demands for capital. He specifically pointed out that the non-transferrability of licences was a major restriction. Further, Mr Courtis said that the external debt guidelines imposed a cap on the quantum of debt that could be raised from foreign sources. He said that guidelines on initial public offers (IPOs) need to be modified to make IPOs on local markets.

At the same time, Mr Courtis commented on the relatively weak stance taken by the Indian development banks in taking aggressive exposures in this sector. He also cited the ambiguity on the depreciation treatment of licence fees as another major problem. The sheer size of the financial requirement for the sector and the limited pool of financial resources available were another hindrance to the growth of the telecom sector. He stated that an emerging pattern was phased financial closure.

The participating companies were running into all kinds of problems because of delays in the regulatory structure, especially in granting interconnectivity rights which, in turn, were limiting the efficacy of the private telecom op-

Referring to the consortia membership and the requirement to have a technical partner, he stated that this had resulted in a number of imbalances emerging and little flexibility. While the financial institutions wanted asset backed lending, this was not possible under the current telecom regulations. The result was that financial institutions were reluctant to finance such operations. Funding would only be possible in a sound regulatory environment, he remarked.

Mr N. S. Ramachandran, acknowledged the numerous problems being faced in the process of liberalisation of the telecom sector. Referring specially to MTNL's services, he stated that MTNL has acknowledged that customer needs are paramount are that services and modernisation need to be structured keeping these needs in mind.

In a forceful address, Mr N. Seshagiri said that India cannot afford a high-cost economy. Yet, the liberalisation so far had certain elements capable of inducing a high-cost economy. He specifically cited the licensing system which he termed as counter-productive as the consumer would have to bear the ultimate cost. Mr Seshagiri also said that liberalisation in the telecom sector was not in tune with the true spirit of liberalisation.

Speaking of the restrictions, Mr Seshagiri said that the present restrictions embodied in the policies prevent low cost alternatives which are the need of the hour. He stated that India has already missed the bus as far as fibre-optics are concerned.

Mr N. Vittal highlighted the four engines critical to successful reforms. These were technology, strong political will, judicial activism and market dynamism. He specifically stated that telecom has been made unprofitable from profitable.

Pioneer. Oct 30, 1996 p. 17.

'License non-transferability main restriction in telecom'

Pioneer News Service
New Delhi

TELECOMMUNICATIONS EXPERTS on Tuesday voiced the need to bring about a change in the direction of liberalisation in the telecom sector during a sectoral discussion on telecommunications, information technology and multimedia, organised as part of the India Economic Summit.

The panel comprised Kenneth Courtis, Strategist and Chief Economist, First Vice President, Deutsche Bank Group Asia, Japan; N S Ramachandran, Chairman and Managing Director, Mahanagar Telephone Nigam Ltd (MTNL); N Seshagiri, Director General, National Informatics Centre, N Vittal, Chairman, Public Enterprises Selection Board (PESB); and Raj Gupta, Director (Development), Videsh Sanchar Nigam Ltd (VSNL).

Addressing the participants, Mr Courtis highlighted the remarkable growth being witnessed in the Chinese telecom market and stated that according to projections, the Asian market is slated to account for more than half the global telecom growth in the near future.

Referring to the massive need of financial flows into the sector, Mr Courtis commented that the low savings rate in India at 24 per cent of GNP compared poorly with the average in the rest of Asia, of 35 per cent.

He added that the restrictive telecom policy was greatly impeding the competing demands for capital.

He specifically pointed out that the non-transferability of licenses was a major restriction. Mr Courtis said that the external debt guidelines imposed a cap on the quantum of debt that could be raised from foreign sources.

He pointed out that the guidelines on initial public offers (IPOs) need to be modified to make IPOs in local markets.

He also commented on the relatively weak stance taken by the Indian development banks in taking aggressive exposures in this sector.

Mr Courtis cited the ambiguity on the depreciation treatment of license fees as another major problem.

According to him, the sheer size of the financial requirement for the sector and the limited pool of financial resources available were another hindrance to the growth of the telecom sector. He stated that an emerging pattern was phased financial closure.

Mr Courtis added that the companies were into all kinds of problems because of delays in the regulatory structure, especially in granting interconnectivity rights which, in turn, were limiting the efficacy of the private telecom operations.

Referring to the consortia membership and the requirement to have a technical partner, he stated that this had resulted in a number of imbalances emerging and little flexibility.

While the financial institutions wanted asset backed lending, this was not possible under the current telecom regulations.

The result was that financial institutions were reluctant to finance such operations. He added that funding would only be possible in a sound regulatory environment.

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'Change in direction vital for telecom reforms

Our Special Correspondent
NEW DELHI, Oct. 29

FOR opening up of the telecom sector to private and foreign investors to have any meaning, there is a strong need to change the direction of the liberalisation process which, at present, is far too restrictive.

This was the consensus arrived at by a distinguished panel during sectoral discussions on telecommunications, information technology and multimedia at the India Economic Summit organised here by the World Economic Forum (WEF) and the Confederation of Indian Industry (CII) on Tuesday.

The panel comprised Mr. Kenneth Courtis, Strategist and Chief Economist, First Vice-President, Deutsche Bank Group Asia, Japan. Mr. N. S. Ramachandran, Chairman and Managing Director, Mahanagar Telephone Nigam Ltd (MTNL), Mr. N. Seshagiri, Director-General, National Informatics Centre (NIC), Mr. N. Vittal, Chairman, Public Enterprises Selection Board (PSEB), and Mr. Raj Gupta, Director (Development), Videsh Sanchar Nigam Ltd (VSNL).

Addressing participants at the concurrent session, Mr. Courtis highlighted the remarkable growth being witnessed in the Chinese telecom market and noted that, according to projections, the Asian market is slated to account for more than half the global telecom growth in the near future.

Referring to the need of massive financial inflows into the sector, Mr. Courtis said the low savings rate in India at 24 per cent of the gross national product (GNP) compared very poorly with the average in the rest of Asia, at 35 per cent. The restrictive telecom policy, he said, was greatly impeding the competing demands for capital. He specifically pointed out that the non-transferability of licences was a major restriction.

Moreover, the external debt guidelines, he said, imposed a cap on the quantum of debt that could be raised from foreign sources. He said guidelines on initial public offers (IPOs) need to be modified to enable similar offers on local markets.

Mr. Courtis also commented on the relatively weak stance taken by the Indian development banks in taking exposures in this sector. Besides, another problem, he said, was the ambiguity on the depreciation treatment of licence fees. He said the sheer size of the financial needs for the sector and the limited pool of resources available were another hindrance to the growth of the telecom sector.

Telecom companies, he said, were running into all kinds of problems because of delays in the regulatory structure, especially in granting interconnectivity rights which, in turn, were limiting the efficacy of private telecom operations. Referring to consortia membership the requirement to have a technical partn[e] said this had resulted in a number of in[...] ances emerging with little flexibility. Whil[e] financial institutions (FIs) wanted asset-ba[sed] lending, this was not possible under the[...] rent telecom regulations. The result wa[s] FIs were reluctant to finance such operat[ions]. Funding, he said, would only be possible [in a] sound regulatory environment.

Mr. Ramachandran, in his remarks[...] knowledged the numerous problems [...] faced in the process of liberalisation in th[e] [tele]com sector. Referring especially to MTNL[...] vices, he said the corporation [...] acknowledged that customer needs are [...] amount importance and that service[s] modernisation need to be structured k[eeping] these needs in mind.

In a forthright address, Mr. Seshagi[ri ...] that although India cannot afford a hig[...] economy, yet the liberalisation so far ha[s] [cer]tain elements capable of inducing a hig[...] growth.

To substantiate his statement, he cit[ed the] licensing system which he termed as co[unter]productive as the consumer would have [...] the ultimate cost. He said that liberalisa[tion in] the telecom sector was not in tune w[ith the] true spirit of liberalisation.