



Next step: Active Infrastructure Sharing

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As the number of subscribers in India increases and the government tries vigorously to promote rural telephony, infrastructure sharing seems to be the best and the fastest route to attain better mobile penetration in rural areas. It will help reduce cost and leverage a fast rollout of services for the 2G and 3G spectrum by the new as well as the existing players. In a longer period, it will enable the operator to build more cost effective coverage in un-serviced area. In the Indian context, both in urban and rural areas, infrastructure sharing should be adopted as an imperative for sustained telecom growth. TRAI and the operators are favoring this model.

CURRENT SCENARIO

The passive component constitutes around 40 percent and the active component the rest of the total capital cost in India. But the rise in value of property, steel, and cement has nudged up the cost of passive infrastructure and the cost of active infrastructure is going southward due to the availability and declining prices of electronic components.

Owing to the tremendous growth of subscribers, most of the telecom licensees have hived off their telecom tower business or are in the process of doing so into a separate entity.

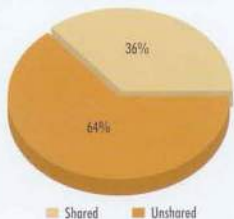
As the time-to-market is the least when the infrastructure is shared, most of the telecom operators are favoring this process. The total estimated number of towers during 2007-08 in India is around 200,000.

MARKET DYNAMICS

Some of the major players of the infrastructure market include GTL, Essar, Quippo and Indus Towers. Aster, Xcel, Tower Vision, TVs, and Wireless Tata Telecom Infrastructure (WTTI) are some of the other players in the race.

Out of the total towers available to the operators, 64 percent were not shared and leased

SHARING OF TOWERS



out to single operators whereas 36 percent were on shared basis.

In order to accommodate all the subscribers, a huge investment of USD 25 billion (Rs. 1,20,000 crore) is required only to set up towers by 2010. The estimated number of towers required to reach the target is 3,30,000 by 2010.

GROWTH DRIVERS FOR PASSIVE INFRASTRUCTURE SHARING

One of the basic reasons for the growth of passive infrastructure sharing has been the burgeoning subscriber base. The emerging technologies such as EDGE and 3G require huge investment and this is leveraging the passive infrastructure sharing.

Along with real-estate prices, site rentals have also seen a sharp increase. The demand for tower sites and rentals is expected to increase sharply.

Spectrum constraint is also fueling growth of passive infrastructure sharing. According to spectrum allocation criteria, operators get only 10 MHz spectrum for 2 million subscribers.

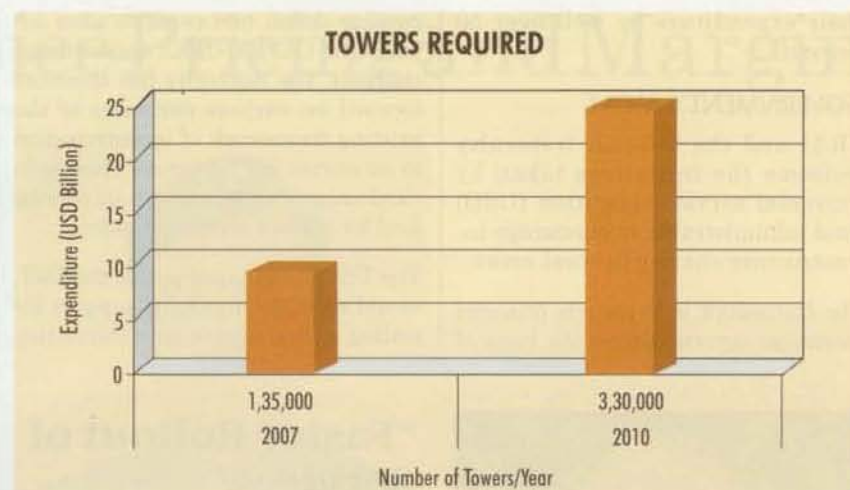
Lastly, the regulatory policy concerning the cell sites is making the infrastructure providers to opt for infrastructure sharing as installation of cell sites has become a cumbersome process.

Ascertaining legal ownership of sites in towns is a stumbling block to faster rollouts. In India, one of the additional incentives to owning passive telecom infrastructure is the subsidy being provided under the Universal Service Obligation (USO) fund for developing telecom infrastructure in rural areas.

The urban planning ministries and municipal corporations are now starting to place restrictions on new tower construction on the grounds that they pose a health hazard and congest the skyline.

WHAT VENDORS SEEK

The IP-I players are constrained to offer only passive infrastructure. The telecom



infrastructure vendors' seek backhaul (both microwave and fiber) as well as active infrastructure, on sharing basis, to operators/service providers.

Since no uniform policy guidelines, the vendors have been seeking detailed uniform policy guidelines to encourage infrastructure sharing. Infrastructure providers also pointed out the difficulty in acquiring and commissioning a site, due to SACFA clearance being one of the mandatory requirements.

It is a setback since SACFA clearance is given only to CMSP/UASL and infrastructure providers cannot apply for SACFA clearance.

BENEFITS OF PASSIVE INFRASTRUCTURE SHARING

The sharing of passive infrastructure is likely to increase the presence of all the operators and hence more competition. The identification of critical infrastructure and mandating sharing of towers in critical infrastructure areas, where a limited number of operators are present will ensure availability of site space to all operators. Reduction in CAPEX and OPEX are other important factors which will help service providers to reduce the cost of services, and help to introduce new packages and services, thus further increasing competition.

Time to market for rolling out the services is beneficial to the new or the

existing operators..

Operators are expected to save close to 30 percent on CAPEX and OPEX when it comes to passive infrastructure management (mainly towers). Sharing among operators is, currently, limited to two in most cases, whereby tower companies are aiming at an average of 2.5 to 2.7 carriers per tower.

ACTIVE INFRASTRUCTURE SHARING

Sharing of active infrastructure will help the operators lower tariffs and reduce their expenditure by well over 50 percent. As new and incumbent players gear up to launch their services with the auction taking place in January, 2009, active infrastructure sharing will play a major role in expediting the rollout of mobile networks across the country. This will facilitate the growth of mobile network in the urban as well as the rural areas. In urban areas, new operators will increase with the MVNO policy in place.

Operators can go for passive infrastructure sharing or active infrastructure sharing depending upon the availability of funds and the suitability of the service within the circle. The Department of Telecommunications (DoT) has approved industry regulator TRAI's recommendation to permit service providers to share active infrastructure. The move will help telcos to lower tariffs and reduce

their expenditure by well over 50 percent.

GOVERNMENT'S MOVE

TRAI and the telecom fraternity welcome the initiatives taken by universal service obligation (USO) fund administrator to encourage infrastructure sharing in rural areas.

The framework is to provide financial incentives determined on the basis of

revenue deficit (net negative after adjusting for CAPEX, OPEX against usage charges). The Authority has therefore focused on various derivatives of the existing framework of incentivization to accelerate infrastructure sharing in rural areas while ensuring level playing field for telecom service providers.

The USOF, managed under the DoT, would offer the financial support for setting up and managing of infrastruc-

ture sites and the provision of mobile services in specified high cost rural and remote areas. For this, a total of 7,871 base station locations in 500 districts of 27 states were identified as eligible for USOF financial assistance.

In early 2008, the fund was preparing to support a second round of sites in high cost rural and remote areas. For the second round, support will be provided to build 11,049 towers. ●



“Faster Rollout of Services”

Probal Ghosal

Chief Executive Officer, Quippo Telecom Infrastructure Ltd.

On benefits

Sharing telecom infrastructure is a model pioneered by QTIL. It is regarded as the most acceptable model by all the operators. The step toward sharing infrastructure lessens the burden of cost on operators such as CAPEX and OPEX, thus shifting the focus more toward the customers and services and adding value to their market equity. The sharing will assist in faster roll-out of services in rural and remote areas. Last but not the least, it will also increase environmental aesthetics.

On your contribution

Quippo Telecom Infrastructure Ltd. (QTIL) has been incorporated with an objective to provide “Shared Passive Telecom Infrastructure”. This was conceptualized and sponsored by Quippo Infrastructure Equipment Ltd. With its high quality, cost effective, and time bound services, QTIL has gained exceptional confidence and the success of this concept has been achieved by its customers through site sharing. In the last two years, QTIL has developed close to 5,000 towers in 19 circles. These include Karnataka, UP(W) and Uttarakhand, UP(E), Punjab, Haryana, Himachal Pradesh, Madhya Pradesh, Gujarat, Rajasthan, Kolkata and the rest of West Bengal, Bihar, Jharkhand, Assam, Orissa, Andhra Pradesh, Tamil Nadu, Chennai, and

Maharashtra. 40 percent of these are already shared by multiple operators.

On infrastructure sharing among telcos

We, at Quippo, believe that our model of sharing infrastructure has gained wide acceptance among many operators as it is a cost-effective measure and helps them in reaching easily their individual audience rather than increasing CAPEX and passing it on to the consumer.

On your major projects

The year 2007-08 has been a landmark in the history of QTIL. We have achieved a tower portfolio of approximately 3,500 towers and have increased our service parameters. Last year, we also signed a deal with Spice Communications, that would give us an opportunity to rollout over 12,000 towers in the next few years.

On your offerings and services

Having pioneered the concept of “Passive Infrastructure Sharing,” we have already expanded our offerings to indoor solutions both for commercial and residential, including triple play and mobile number portability. We are also exploring active infrastructure sharing, MSC hosting, etc. and looking at some strategic partners as well. To this extent, we are committing significant investments in excess of USD 2.5 billion (Rs. 12,000 crore) in the coming fiscal. These resources will be used both for organic and inorganic business growth as well as to fund some of the new initiatives.

On your company's number of sites

We currently have 5,000 sites covering urban and rural areas. ■

On infrastructure requirements

Telecom infrastructure has graduated from being a support system for mobile service providers to one of the critical elements for providing cost-effective services. To reach the projected 500 million subscribers by 2010, India not only requires an additional 350,000 to 400,000 towers, but also enabling infrastructure such as spectrum, backhaul, and cross-connectivity. Mobile operators need to quickly expand their network in a cost-effective manner. To support the same, the industry requires strength backed by infrastructure. Following the trend and rising subscriber numbers, the focus has shifted to passive and active sharing giving rise to quality customer service.

On India market scenario

Infrastructure sharing may be in a nascent stage in India, but it's a standard practice globally. Though tower sharing has not been very successful in most European and Asian countries, it has been a success in USA which, like India, also has multiple operators.