

## The hesitant auctioneer

*After years of delay, India launches 3G telephony—sort of*



AFP

One drunk driver, 32 traffic violations and 15 miscellaneous offences. A daily tally of crimes in Cochin, a city in the Indian state of Kerala, appears on the mobile phone of Sanjay Vijayakumar, the young co-founder of MobME. His firm, which provides “value-added services” for mobile phones, has outfitted the Cochin police with camera-phones. Instead of describing crime-scenes to their control room over a walkie-talkie, the police can now snap a picture (stamped with date, time, and place) and send it over the airwaves. It takes just a few seconds to send a photograph over India’s mobile networks. But Mr Vijayakumar dreams of his customers sending live video. For that, India needs third-generation (3G) networks.

Mr Vijayakumar jokes that in India, 3G has been “just around the corner” for over three years. But this month 3G services were formally launched by Bharat Sanchar Nigam Limited (BSNL), India’s national carrier, after their introduction in parts of Delhi by Mahanagar Telephone Nigam Limited (MTNL), the state-owned carrier serving Mumbai and the capital. On February 22nd the chief minister of Tamil Nadu, which neighbours Kerala, made an inaugural BSNL video-call to India’s telecoms minister, A. Raja.

The two state operators can now begin expanding their networks. But for everyone else, 3G remains just around the corner. The government has yet to release radio spectrum to private companies for 3G services. A spectrum auction originally scheduled for January 16th has been postponed twice. It may not now take place until the third quarter of this year.

The ostensible reason for the delay is a row between the department of telecommunications and the finance ministry, which wants to raise the minimum price in the auction. The telecoms minister has an unfortunate reputation for surrendering the public airwaves cheaply, after allowing new entrants to buy 2G licences in January 2008 at a price unchanged since 2001. The scale of the undercharging became embarrassingly obvious last October, when two of the new licence-holders sold stakes to foreign operators prepared to pay handsomely for access to their spectrum. Norway’s Telenor, for example, paid 62 billion rupees (\$1 billion) for 60% of Unitech Wireless, which had no subscribers or network.

The government once hoped to raise about 400 billion rupees from the 3G auction. After the credit crunch, it now expects to raise only half that. But the fiscal proceeds from 3G matter less than the economic gains, according to Tom Phillips of the GSM Association, a telecoms lobby group. To put a number on those gains, his association commissioned a study by Leonard Waverman of LECG, an economics consultancy. He calculates that a five-year investment in 3G networks worth \$15 billion in today’s terms would yield a return to the economy worth more than twice that (over \$35 billion). Accordingly, a year’s delay costs \$3.2 billion, because the benefits of 3G are deferred. Mr Vijayakumar laments “so many man-months wasted, just waiting for the uncertainty to unravel itself.”

The government's hesitation may, however, suit some of India's telephone operators. Reliance Communications, having won over 60m 2G subscribers using one technological standard, has just crossed over to the more popular GSM standard, dominated by its rivals Bharti Airtel and Vodafone Essar. Some analysts suggest that Reliance might prefer to wait until its GSM network has settled down before joining the battle for 3G customers. Reliance itself says it is ready to bid.

Whenever the auction is held, these rivals will lock horns, especially in Delhi, where only two slots are on offer. In some areas networks are horribly overloaded. By winning a 3G licence, companies can offer their most lucrative customers crisper calls, and also make room for the 9m 2G subscribers being added each month.

Kunal Bajaj of BDA Connect, a telecoms consultancy in Delhi, reckons that after five years India will have 60m 3G subscribers and another 29m using 3G networks through their laptops. Their combined spending will exceed \$15 billion. In India, where fixed-line broadband links are rare, many will get their first taste of speedy surfing over a wireless network. They may see 3G handsets not as expensive phones, but as cheap computers, with which they can call up scores, prices and even crime reports. It's just around the corner.

**The Economist, New York, 26 fev. 2009, Business, online. Disponível em <[www.economist.com](http://www.economist.com)>. Acesso em: 4 fev. 2009.**

A utilização deste artigo é exclusiva para fim educacional