

The telecom regulator decision to slash tariffs for international bandwidth by as much as 70 per cent could not have come at a better time for the country's BPO units, which increasingly face margin pressure and need to shave costs where possible.

Since both national and international bandwidth costs can be as much as 10 per cent to 15 per cent of the total costs, such savings will boost the competitiveness of local BPOs considerably.

How important this is can be seen from the fact that when neighbouring Pakistan cut bandwidth costs a few months ago, President Pervez Musharraf announced the exact cuts at a press conference in Europe! That, of course, is also why BPO units have regularly been making representations on the matter to the ministry of telecom as well as to the Telecom Regulatory Authority of India.

The fact is that, as Trai has pointed out, while other telecom tariffs in the country have fallen with the increase in competition, the same has not happened in the case of bandwidth (both domestic as well as international).

One possible reason is that while India has just three international bandwidth providers, it has close to double that number of mobile phone providers. Indeed, there are 14 international bandwidth providers in Korea, 24 in France, and 32 in the United States.

Having done this, what is now required is that Trai complete the second leg of the problem, namely that of reducing the cost of domestic bandwidth. Trai had floated a consultation paper on this as well last year, but the public sector BSNL had strongly opposed a reduction and so far no action has been taken.

If BPO and other units are to get the full benefit of a reduction in bandwidth costs, this cannot be achieved by only cutting international bandwidth costs. In any case, India has one of the highest costs of internet access in the world, and if any progress has to be made in getting the country networked, such costs have to fall.

According to the World Bank, the cost of internet access in India is around 22 per cent of monthly per capita income, compared to 13 per cent in China, 4.6 per cent in Mexico, and 0.5 per cent in the US.

Reducing the cost of international bandwidth, of course, will prove to be a tough challenge as this will directly hit BSNL and so far the government has not been willing to allow this.

When Trai recommended that private internet service providers be allowed to access BSNL's and MTNL's copper lines for providing last-mile connectivity to clients, the government did not accept the idea.

As in the case of international bandwidth, in the case of domestic bandwidth too, there are

only three providers.

It's not often that Trai has been ahead of the curve when it comes to regulating tariffs since in most cases competition has driven prices below rates fixed by Trai.

This is one of the few cases where the regulator's action will result in driving down prices significantly.