Stress in the Telecom Sector

What is the issue?

\n\n

Telecom sector in India is currently going through its roughest patch since mobile connectivity began.

\n\n

What are the developments in the industry?

\n\n

\n
- Operators have bid for nearly 5-lakh crores to buy spectrum.
\n
- This is in addition to the annual levies accounting for almost 30% of their revenues – causing great financial stress & debt.
\n
- The entry of Reliance Jio, which has disrupted the market with low-cost data services, increased the industry's woes.
\n
- Consequently, a number of operators like Reliance Communications and Tata Teleservices have been forced to exit.
\n
- The crisis has also severely impacted investors, lenders, partners and vendors of these telecom companies.
\n
- While the impact on subscribers has been limited thanks to mobile number portability, it has been hard on employees.
\n

\n\n

How has it impacted Jobs?

\n\n

\n
- In the last year alone over 10,000 jobs have been lost due to cost cutting measures by the telcos.
\n

- The situation is expected to worsen in the next 6 to 12 months as more tele-operators are facing an uncertain future.
  \n
- For those losing jobs, the hiring scenario in other employment-heavy sectors like IT and e-commerce is currently bleak.
  \n
- While those in marketing or sales can move to sectors such as FMCG, those on the technical side could be left in the lurch.
  \n
- Ironically, all this is happening at a time when the Indian telecom sector is at the cusp of a major data revolution.
  \n

\n\n

Will it impact the envisioned Data Revolution?

\n\n

\n
- As only 40% of the country's population has internet access, there is a huge demand for telecom services going forward.
  \n
- Telecom operators will have to invest heavily in rolling out 4G networks for which capital and human resources will be required.
  \n
- But this can become a reality only if some immediate steps are taken both by the industry and the Centre.
  \n

\n\n

What is the way ahead?

\n\n

\n
- Forced expensive bidding have puts operators in a financial mess, which calls for rationalising spectrum pricing.
  \n
- Also, as big investments are needed in the sector, the annual levies need to be brought down drastically.
  \n
- Exits and mergers need to get easier so that strong players are able to absorb weaker ones without losing asserts.
  \n
- Operators too should start creating new revenue stream as the days of offering plain voice telephony services are over.

\n
- The demand for data services is set to expand rapidly in the coming years which providers an opportunity to revive the sector.
\n

\n\n

\n\n

Source: Business Line

\n