

Telecom: Unjust and arbitrary act

by UTTAM GUPTA

IN the current telecom tangle, the real issue is being missed. The revenue sharing formula under the new policy (1999) was meant for new entrants. For those already in under fixed license regime (1994), the opinion of the accountant general (AG) was sought on whether they could be allowed to switch over?

According to newspaper reports, the AG initially took the view that they could not. This sounds quite logical. How could the terms and conditions on which licenses were given, be changed retrospectively? Significantly, the proposed change is of a fundamental nature and entails huge financial loss to the exchequer.

According to an estimate, inflows under revenue-sharing with effect from August 1, 1999 for seven years would be meagre Rs 2,000 crore. Together with receipts for three years until July 31, 1999 under fixed license at about Rs 6,000 crore, total for 10 years works out to Rs 8,000 crore. This is a whopping Rs 12,000 crore less than the sum of Rs 20,000 crore promised under fixed license regime.

While, the above calculation is on the basis of provisional rate of 15 per cent being share of gross revenue to the government, in the event of this being lower (this will be determined by Trai shortfall) will be even more. In case, actual revenues turn out to be lower than projected levels, the gap will further aggravate.

In respect of the providers of basic services, under fixed license dispensation, the government

would have got about Rs 110,000 crore over a period of 10 years. Against this, even as projections of likely inflows under revenue-sharing are not available, the amount is expected to be substantially lower.

The government has argued that if, fixed license regime were to continue, then, all projects would have been rendered unviable. Apart from hampering growth of sector, it says that FIs would be saddled with NPAs worth Rs 10,000 crore. Here, it may be noted that according to ICICI, exposure of FIs is only Rs 3,700 crore. As regards impact on growth, this, by itself, cannot be a logical basis for a virtual u-turn in rules of the game.

Under the NTP 1994, the government went through the process of competitive bidding. Several players bid and those quoting highest amount got licenses for respective circles. These were in

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exchange for their promising to pay the amount as quoted in the bid. Now, it would be untenable to accept a lower amount (simple because, they are unable to pay) and yet, allow them to retain the licenses.

The decision to permit the switch over is virtually tantamount to breach of contract and is patently unfair to the exchequer. It is a clear-cut case of the government paying heavily for miscalculations by service providers in regard to the likely market size. In a reverse scenario i.e., actual revenues being higher than earlier estimated by licensees, would they have shared consequential bonanza with the government?

The bail out package is also unfair to those who participated in bidding process (under 1994 policy), but, could not get the license because the price quoted by them was lower. Now, by accepting substantially lower fee (than quoted) from those who got it, the new policy cannot escape the charge of discrimination.

The volte face by the government on telecom front also sets a bad precedent, it gives a wrong signal to other entrepreneurs/industries that it is possible to get the policies changed in case of any adverse developments/ miscalculations.

In the name of delays or perceived losses to the economy, the principles of fair play, equity and non-discrimination cannot be given a go-by. While, service providers could have been helped in other ways, by fundamentally altering the very basis of payments, the government has clearly left an impression of having acted in an unjust and arbitrary manner.