

big picture

A CLOSE LOOK AT ISSUES THAT MATTER

Missive missiles

WIRE WAR After land, the airwaves seem to be the precious resource in the country. But what makes them so controversial?

licenceraj



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Telecom policy and licensing have been mired in controversy since the sector was opened up for private participation in 1992. Here's a look at how telecom policy has evolved over the past two decades:

1992

Licences awarded to eight operators in four metros without auction.

Controversies: Tata Telecom challenged the award of a licence for the Mumbai circle to Bharti in court saying rules were flouted. Following a review of the awards, Bharti, which had earlier won the Mumbai circle, got Delhi and BPL was awarded Mumbai. Tata Telecom got nothing.

Main beneficiaries: Bharti, Sterling, BPL, Usha Martin, Max, Modi Telstra, RPG Cellular and Skycell
Telecom minister: Rajesh Pilot (MoS, Independent charge)

Party in power: Congress

1995

First ever auction for telecom licences for circles outside the metros. Two licences each were auctioned for 19 circles.

Controversies: Total licence fees quoted for mobile and fixed licences were about \$30 billion, way above what most experts considered viable.
Main beneficiaries: Bharti, Birla AT&T, Tata, BPL, Escotel, Koshika, Reliance and Jasmine.

Telecom minister: Sukh Ram (MoS, Independent charge)
Party in power: Congress

1999

Licence winners of 1995 could not pay the licence fees they had bid and lobbied for a change.

Controversies: The NDA government came out with the New Telecom Policy 1999, which envisaged a shift from fixed licence fees to a revenue sharing regime.

Main beneficiaries: Every operator benefitted
Telecom minister: Jagmohan (till June 1999), Atal Bihari Vajpayee (June-Oct 1999) and Ram Vilas Paswan (from Oct 1999)
Alliance in power: NDA

2001

Auction for fourth licence in

each circle took place (the third licence was awarded to the government-owned BSNL/MTNL).

Controversies: None
Main beneficiaries: Bharti, Idea, Essar and Escotel
Telecom minister: Ram Vilas Paswan (till Oct 2001) and Pramod Mahajan (after Oct 2001)
Alliance in power: NDA

2003

The government amended the new telecom policy NTP 1999.

Controversies: The new Unified Access Service licence allowed fixed line operators like Reliance and Tata, who had paid far lower licence fees than cellular service operators, to offer mobile telephony. Following a legal battle by GSM operators that went up to the SC, the matter was settled out of court between the government, CDMA operators and GSM lobby. Reliance and Tata had to pay Rs 1,650 crore as

unified licence fees and the sector became technology-neutral.
Main beneficiaries: Reliance, Tata Teleservices
Telecom minister: Pramod Mahajan (till early 2003) and subsequently Arun Shourie
Alliance in power: NDA

2008

Raja awarded new licences to new players on first come first served basis.

Controversies: The cut-off date for submission of bids was arbitrarily changed and spectrum was allotted to new operators at rates decided in 2001.
Main beneficiaries: Swan (renamed Etisalat DB), Uninor, Loop Telecom, Shyam Sistema, Datacom (renamed Videocom), S Tel.
RCOM and Tata Teleservices, which offered CDMA technology till then, also benefited as they could now offer GSM
Telecom minister: A Raja
Alliance in power: UPA

RAJEEV CHANDRASEKHAR'S OPEN LETTER TO RATAN TATA

Dear Mr Tata

It is with considerable concern and some confusion that I have watched your recent television interviews and press statements following the 2G scam and the exposure of the infamous Nira Radia tapes.

... In your recent press interactions, you have made the point that the 2G scam needs to be investigated and have made several sub-points, including:

1. Out-of-turn allocation of spectrum,

2. Hoarding of spectrum by incumbent operators, and
3. Flip-flop of policy

1. Out-of-Turn Allocation of Spectrum

According to the CAG report, the potential loss to the exchequer on account of dual technology licences at 3G rates is Rs. 37,154 crore. By virtue of dual technology, according to the CAG, your company has caused a loss to the exchequer to the tune of approximately Rs. 19074.8 crore.

But it is not just this. It is a fact that the Tata group is a beneficiary of out-of-turn spectrum. In fact, one of the biggest of them all...

2. Hoarding of spectrum by incumbent operators

... If by hoarding, you mean having more spectrum than number of subscribers that can be serviced, then please note that Tata holds spectrum both for GSM and CDMA.

Based on the spectrum that Tata has, its average efficiency is perhaps the lowest amongst the large operators....

3. Flip-flop of policy

... One of the most horrific distortions of policy was the infamous WLL scam in 2001 where telecom companies with fixed service licences managed to muscle their way into cellular with active support of policy makers of that time....

Your company was the beneficiary of this 'policy flip-flop' and you chose to accept the benefits of this flip-flop at that time despite this blatant violation and distortion.

Dear Rajeev

... Your letter is based on untruths and distortion of facts and I feel compelled to place the real facts, as bluntly as possible before you ...

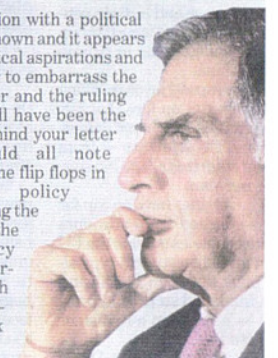
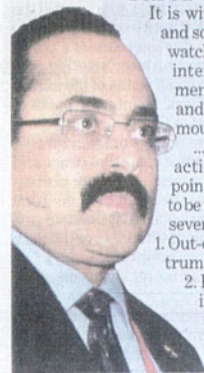
On the issue of various allegations you have made on the so called benefits gained by TTSL (Tata Teleservices Ltd) ... The true position is that TTSL has not I repeat not been advantaged in any way by Mr. Raja or any earlier Minister. The company has strictly followed the applicable policy and has

been severely disadvantaged, as you are well aware, by certain powerful politically connected operators who have willfully subverted policy ... Even those that were granted license and spectrum have failed to effect any meaningful rollout of services. Strangely, you have chosen to ignore this fact and singled out TTSL who have, in fact, put in place a network supporting 82 million subscribers, despite the fact that they have been deprived of spectrum in Delhi and the 39 key districts over the past 3 years as mentioned earlier. How could you or anybody possibly consider this to be a beneficial situation for TTSL?

... You will no doubt remember that in 2005 I made an issue of the fact that spectrum was a scarce resource and needed to be paid for rather than given free as was being proposed ... I believe that TTSL was the only operator that

returned spectrum when demanded by DoT...

Your affiliation with a political party is well known and it appears that their political aspirations and their endeavor to embarrass the Prime Minister and the ruling party may well have been the motivation behind your letter ... We should all note that many of the flip flops in the telecom policy occurred during the BJP regime ... the recent policy broke the powerful cartel which had been holding back competition.



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To read the complete text of the letters between Chandrasekhar and Ratan Tata log on to

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