



THE ECONOMIC TIMES

FRIDAY 10 DECEMBER 2010

All of telecom a scam? Policy Evolution Helped Economy

THE Supreme Court has said that all telecom policy since 2001 should be looked into. Further, a public reply by Mr Ratan Tata to an open letter from Mr Rajeev Chandrasekhar, MP, claims that if the Comptroller and Auditor General's method of using 3G spectrum auction proceeds to estimate putative losses on 2G spectrum is accepted, the switchover to revenue sharing under the New Telecom Policy of 1999 has lost the exchequer some ₹50,000 crore. This pushes the beginning of the controversial policy to 1999. Should the public conclude that all telecom policy under both the BJP-led National Democratic Alliance and the Congress-led United Progressive Alliance has been a scam? It is vital to see things in perspective. The entry of Reliance into mobile telephony, bending rules which subsequently got regularised in the teeth of bitter opposition by the incumbent players, was the best thing to have happened to Indian telecom till then. It brought down the cost of owning and operating a mobile phone to ₹500 a month, setting off a price war that saw tariff and handset costs tumble down a steady slope that is yet to find a bottom. The 2003 policy that regularised Reliance's entry was unfair to the incumbent operators, but more than fair to the people of India. The Tatas' telecom foray rode on Reliance's coat-tails to enter mobility. Mr Raja apparently bent rules and rigged a queue to grant licences to a favoured few in 2008, but in the process added fervour to the competitive action that has brought India's tariffs down to the lowest in the world. The twists in telecom policy have been unfair to businesses that invested in telecom on the basis of certain assumptions that got subverted. But the same twists have hugely benefited the people of India and increased economic efficiency and the pace of growth. Sure, these twists in policy might have fetched influential politicians minor fortunes and these should be investigated into. But the evolution of telecom policy, let us be clear, has been pro-people and pro-growth till it came to auctioning 3G spectrum.

Auctions make for transparency and fairness vis-à-vis telecom businesses, but transfer resources from business to the government and create a huge capital charge on telecom company books that limit their ability to invest and expand, if not immediately raise tariffs. Given a mutually exclusive choice between being pro-growth and being fair to competing businesses, policy should plump for growth, which helps the poor as also all other businesses. This is what has happened in Indian telecom.