

Telecom Sector : Plunder of Indian Resources

These entire years telecom sector has been placated as the perfect example of benefits from the liberalization. Once a family waited for years for landline connection and it was a part of the family status. Today almost 119 crore people have access to telephony. Now, one can have a mobile connection within a week by simply producing the aadhar card. Nearly 90 % of Indians have a mobile connection. Today almost 119 crore of Indians have access to telecom and 98% of them are on wireless network. More than 45 crore Indians can now be identified as active internet users, half of which reside in rural India and 99% of them use their phone to access internet. India has the second highest number of mobile phones in the world. Five years ago, India had only two mobile phone manufacturing units. In 2019 there are over 127 mobile ‘manu-facturing’ units (rather assembling units). The media sang paeans with unbounded ecstasy.

Now the same media is shedding tears for the private telecom operators as they were asked to pay the legitimate dues they owed to the government. It is demanding the government is duty bound to salvage telcos from the mess they had created for themselves. The crisis will have a ripple effect, they argued, leading to loss of jobs, loss of economic activity and so on.

What a turnaround! The poster boy of the liberalization, privatization and globalization that epitomized free market economy and the “death” of license-permit-raj is now begging for alms from the government. One has to look at from the beginning to understand the array of policies that had been implemented which had a detrimental effect on the economy as well as the national interests.

It all began with the opening up of telecom sector for private players meaning foreign le services were held separately for each telecom circle. In the open bidding held in 1994, the operating licenses were awarded to the highest bidder of licence fee (LF) and Spectrum Usage Charges (SUC). These Indian companies formed joint ventures, both financial and technical collabo-rations, with foreign telecom MNCs. The private telecommunication services providing companies (telcos) took loans from the public banks that were forced by the government to lend to them under the guise of push for infrastructure creation. According to the media reports these loans stood at Rs.7 lakh crore (trillion) and a significant part of which will turn into non-performing assets if the government does not bail out telcos. The loan money was often siphoned off by the telcos through over invoicing of capital goods and services contracted from foreign collaborator like know how fee, royalties etc. A large chunk of the revenue had thus been drained out of the country.

Soon the Telcos started clamouring that the LF was very high and they were not able to pay it. The government headed by A B Bajpayee responded with introduction of sharing scheme in 1999. This allowed the telcos to pay a share of their revenue as LF and SUC instead of lumpsum amount they bided for during the auction. Accordingly the contracts were signed with detailed and accurate definition of Adjusted Gross Revenue (AGR). Initially the LF was decided was reduced to 12, 10 and 8 per cent for A, B and C circles. Finally in 2013 it was fixed at 8% for all circles.

At this stage the story repeats. The telcos claimed the LF and SUC were unusually high as certain items were included in the AGR and stopped payment. They appealed before Telecom Dispute Settlement Tribunal and then to the High Court and the Supreme Court. It delivered judgment in October 2019.

By this time, nearly 15 telcos closed down and most them were bought by the existing telcos. Finally, three telcos remained in the field - Bharti Airtel, Vodaidea and Jio - along with two public sector entities - BSNL and MTNL. Two telcos said it is beyond their capacity to pay the dues and filed revue petition in the Supreme Court, while the third one Jio welcomed the verdict and said the other two had cash reserves to pay the dues. The amount over which the dispute was created was initially small. The original amount of LF was Rs.23,000 crore and the rest of LF dues of Rs.92,000 crore being penalties, interest charges on unpaid amounts. Moreover, the original amount of Rs. 23,000 crore was accumulated over a period of 15 years. If paid regularly without creating dispute, it would have been a fraction of their annual revenue. For example, the original LF due for Bharti airtel was Rs. 5,528 crore and that of Voda phone was Rs. 6,870 crore. The Reliance Jio had dues of Rs.177 crore only because of its late entry into this sector.

Telcos made use of other tricks. They made no provision in their balance sheets for these disputed amounts - meaning that they deliberately included unpaid liabilities (disputed LF) in their

profits. Thus they cheated their share holders with inflated profits and more than that they are arguing they have no cash reserves to pay the dues after siphoning the funds.

The Supreme Court is categorical on the nature of the dispute. It held that a license issued and accepted by the company and one party cannot *ex post facto* (after the fact) reinterpret the terms of contract. So the terms as defined in the license have to be fulfilled. Hence telcos have no other go than paying the dues.

The telcos appealed to the government for bail out. Initially they asked for waiver of dues and later waiver of penalties. They also asked for reduction of LF and SUC and to redefine AGR. A committee of secretaries was formed to look into the issue. The CoS granted a two year moratorium on spectrum payments, offered some cash flow relief, but not touched issue of penalties. The Union cabinet on November 20 approved the CoS report and the total relief was estimated as Rs. 42,000 crore for three telcos.

The bourgeois controlled media continued to raise dust over the ripple effects. It demanded bailout for telcos. The Cellular Operators Association of India (COAI) urged the finance Ministry to lower the LF to 3% from the current 8% and SUC to 1% from current 5%. It also asked the government to clear GST input tax credit dues worth Rs.36,000 crore which the GST council rejected and removal of high import duties on telecom equipment. It also sought removal of interest, penalty and penalty on interest and asked for a 10 year staggered payments to pay its dues with a two year moratorium.

While urging the government to provide them with public money, the telcos hiked the prices. They have raised the prices of calls in tandem for both voice and data after the Supreme Court's verdict. Though there are some differences in tariffs, they are more or less the same and the announcement of tariff hike by three telcos has come on the same day. This clearly indicates collusion and a cartel have formed. Jio emerged as the largest number of subscribers overtaking BhartiAirtel and Voda Idea.

On the other hand, the government is exploring the ways of further relaxations and concessions to telcos, while continuing the policy of destroying the state-run BSNL-MTNL forcing them to offer concessions to private players. In this situation the people have no protection from the monopolistic attacks by the telcos.

The most important of developments is the announcement by Indian government to allow 100% Foreign Direct Investment (FDI) into the sector. At the time of opening up of this sector the government promised to limit the FDI below the controlling share holdings. Yet starting with 24% shareholding by FDI, its role was gradually raised 74%. Now it allowed 100% participation for foreign investors.

Vodafoneidea welcomed this decision and said fresh infusion of foreign investment would help solving its financial troubles. Aditya Birla group that promoted voda-idea now owns 26% of shares while Vodafone group of Britain owns 45.1%, Axiata group from Malaysia owns 8.7% and the remaining 20.73% owned by private equity funds. Bharti enterprise is the major shareholder in Airtel with 64% shares and Singtel of Malaysia owned 36%. These Indian registered companies are already owned by foreign investors. Now they will go under the full control of foreign finance capital.

With the advent of New Economic Policy, the government of India adopted the policy of creating infrastructure so that Indian economy grows faster with more industrialization. As a part of this policy it took up construction of highways and airports, and opened up sectors like air transport, telecommunications and power generation. Though major part of these projects is completed or under construction, the supposed benefits are not realized. While the industrial growth decelerated, one after the other infrastructure projects became white elephants. Starting from highway projects, the crisis extended to airlines and then to power plants. Now telcos has the same story unfolding.

Ambitious planning unrelated the ground realities coupled with corruption at all levels made these projects uneconomical. The immediate victim of this lopsided development is the public sector banks which were forced by the government to lend trillions of rupees to these projects. In the name of recapitalization of PSBs the people of India are paying through their noses.

Gradually these sectors are being transferred to the foreign finance capital in the name of privatization. It was so planned by the imperialist financial institutions so that one after the other the vital sectors of Indian economy would be occupied by the foreign finance capital. The comprador bourgeoisie of India and its government true to its real class nature had implemented the dictates from the World Bank in the name of new economic policies.
