

Q&A: R Chandrashekhar, Secretary, DoT

'New telecom policy will be finalised by early next year'

Mansi Taneja / New Delhi November 17, 2011, 0:31 IST



The Indian telecom sector has been awaiting consolidation, as a way out from high competition and low rates, coupled with declining revenues and margins. The department of telecommunications (DoT) plans to soon firm its views on new merger and acquisition guidelines, finalise the new telecom policy and other issues. **R Chandrashekhar**, secretary, DoT, talks about all this and other issues with *Mansi Taneja*. Edited excerpts:

The Telecom Regulatory Authority of India (Trai) recently revised its recommendations on mergers and acquisitions, in which it has allowed combined entities to have a maximum market share of 35-60 per cent on a case by case basis. There is enough flexibility for the bigger players to also merge. Are these in the right direction?

The government has been saying enough room is needed for consolidation in the sector and to allow market forces to play a role. At the same time, the requirement of policy in terms of minimum levels of competition need to be met.

Trai's revised recommendations will have to be studied carefully and an internal team is looking into it. The matter will be placed before the Telecom Commission before the end of this month, after which it will go for a final decision to the Cabinet. The Commission will also take up the issue of pricing of 2G spectrum.

Trai has not revised its formula for pricing of 2G spectrum beyond the prescribed limit, despite this being referred back by DoT. Will you take another set of experts' opinion on this issue or go with the one recommended by Trai?

The Telecom Commission will consider this issue. It has to be discussed and we have to come to a rational basis for pricing of spectrum. Trai says in the absence of any other information, the price recommended by its experts can be taken. We are not planning to take any further expert advice.

An internal team of DoT is also looking into this matter and will present final views before the Commission. We aim to get government approval by the end of December on all these issues. The telecom policy will also be finalised by early next year.

DoT has agreed to give an internet service provider (ISP) licence to US-based chipmaker Qualcomm, which won broadband wireless access (BWA) spectrum for four circles in last year's auction. Apparently, there are still some issues regarding the timing of application. According to reports, Telecom Disputes Settlement & Appellate Tribunal (TDSAT), has also said DoT and the company should resolve their differences. What is your stand?

We are yet to see the TDSAT order, but this is what has been broadly reported. This is not a question of a commercial dispute between two entities, which can be settled outside the court. This is an issue where certain applications are made for certain licences, for which there are clearly defined rules and regulations. So, the government will take action only in accordance with that.

There are several different parts of this issue. Earlier, the decision was not taken because three issues were being clubbed — relating to the ISP licence, allocation of spectrum and nomination by the successful bidders.

On the last, the company had nominated four companies, which was not permissible in our legal opinion. Subsequently, the company stated it would nominate one and then the issue was taken up for consideration.

Second, the nomination was not made on time. Four companies applied, saying we are the nominees for Qualcomm. For a nomination to be valid, the party making the nomination has to make it, not the party getting nominated. This is not a technical thing; it is an obvious requirement. So, the final nomination was made after the three-month period. Qualcomm's ISP licence application was then considered on a standalone basis and has now been cleared, without linking with the auction or the spectrum.

The issue with regard to not getting an ISP licence and not making a nomination in three months and the delay in acquisition of eligibility still remains.

It is for the company to address the deficiencies in their application in the most appropriate manner. Then, a final view will be taken for allocation of spectrum to the nominee companies.

If they request that the delay had happened inadvertently, then we will look at it; after all, they have already invested about \$1 billion. We can't take a decision on a request which has not been made.

BSNL has asked to be allowed to surrender BWA and 3G spectrum in some circles because of its declining financial health. Apart from this, do you plan to give any subsidy to it for its unviable operations? There was also a BSNL plan for a VRS (voluntary retirement scheme). Has that been approved?

The request of BSNL for surrendering of spectrum and a VRS plan is under consideration. The VRS package for BSNL could be of the order of Rs 10,000 crore and it will need Cabinet approval.

Both BSNL and MTNL had a big impact from the payout of 3G and BWA spectrum at around Rs 28,000 crore. Even the phasing out of support for uneconomical activities, at Rs 2,000 crore, was stopped for BSNL. We are looking at all the issues but it will take a couple of months to come to a final decision. The number of employees in the two organisations and their percentage of expenditure on this are much higher compared to other telecom companies, as these were mainly landline companies.

The important issue is that all this has impacted their bottom lines and all the requests, including that for a subsidy by BSNL, is being looked at collectively. It will not be a piecemeal approach.

What is the update on cancellation of the licences issued in 2008 for not meeting the rollout criteria within the stipulated time? You had issued showcause notices to the companies on this issue.

The replies of all those issued showcause notices have been received. The internal examination has been largely completed for assessing these. The process of legal opinion is on.