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9 OCT, 2012, 06.50AM IST, ET BUREAU

2G spectrum fee: Telcos will have to pay at least Rs 27,000 crore if EGoM's recommendation is accepted



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NEW DELHI: India's troubled mobile phone companies will have to shell out a minimum of Rs 27,000 crore to the government if the cabinet accepts a ministerial panel's recommendation to charge a fee for their existing second-generation airwaves that will match the upcoming auction-determined price.

"We have recommended to the cabinet that telcos pay a one-time fee for their 2G spectrum beyond the 4.4 MHz mark in all regions prospectively for the remaining period of their licences. The fineprint such as the date from when this will be implemented as well as the time-frame for the payment will be worked out later," Law Minister [Salman Khurshid](#) told ET. He was part of the nine-member Empowered Group of Ministers (EGoM) headed by [Finance Minister P Chidambaram](#) that approved this one-time spectrum fee.

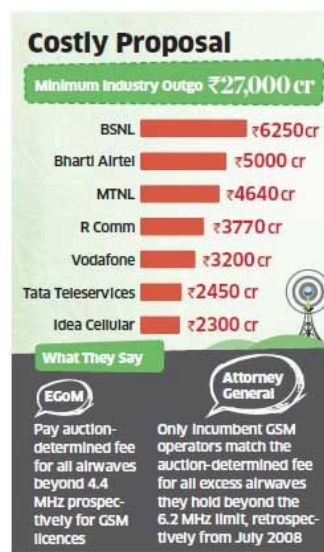
The cabinet is scheduled to take up this issue at its meeting on October 16.

The high-powered inter-ministerial panel has rejected the opinion of the highest law official in the country. Last week, Attorney-General [Goolam E Vahanvati](#) had said only incumbent GSM operators such as Bharti, Idea and [Vodafone](#) be charged the auction-determined fee for excess airwaves they hold beyond the 6.2 MHz limit on a retrospective basis from July 2008.

But the EGoM has endorsed a proposal to impose this one-time fee on all operators for the remaining life of their licences.

"As per our calculations, the industry will have to pay a minimum of Rs 27,000 crore if this one-time fee is calculated based on the reserve price for the upcoming auctions," a government official aware of the development said.

This official, who declined to be named, said mobile operators such as [Reliance Communications](#) [BSE -2.38 %](#) (RCOM), [Tata Teleservices](#) [BSE -2.30 %](#) and Aircel must also pay the auction-determined price for additional airwaves beyond the 4.4 MHz mark. This again overrides Vahanvati's suggestion that these telcos be given the contracted amount of 6.2 MHz without payment of any additional amount.



According to industry executives, state-owned telcos BSNL and MTNL will be the worst impacted as they will have to pay about Rs 6,250 crore and Rs 4,640 crore, respectively.

They are followed by [Bharti Airtel](#) [BSE -1.83 %](#) that will have to shell out Rs 5,000 crore if the cabinet clears the fee suggested by the panel of ministers.

It is estimated that RCOM will have to pay around Rs 3,770 crore, Vodafone around Rs 3,200 crore, Tata Teleservices around Rs 2,450 crore and [Idea Cellular](#) [BSE -3.24 %](#) about Rs 2,300 crore.

Telecom companies declined to comment and said the decision by the panel of ministers had not been conveyed to the industry. But privately, executives working with dual-technology operators expressed unhappiness at the decision.

"Incumbent GSM operators have enjoyed excess spectrum for so many years. The law ministry has said they must pay for excess spectrum from July 2008, the date on which the then telecom and finance ministers along with Prime Minister Manmohan Singh had decided to charge them for airwaves beyond 6.2 MHz. But the EGoM has ensured that GSM operators continue to enjoy the benefits of excess airwaves and also pay the least minimum amount for it," said an executive with a dual-technology operator.

ET has also learnt that some mobile operators that currently hold only 4.4 MHz of airwaves plan to drag the government to court over its decision.

An executive with a leading telco said their contracts entitled them to a minimum of 6.2 MHz of airwaves in every circle and added that DoT would be violating licence conditions if it charged the upcoming auction-determined price for additional spectrum beyond 4.4 MHz limit.

Communications Minister Kapil Sibal said the EGoM tentatively resolved all issues related to the one-time fee and planned to present it before the cabinet for approval on October 16, but did not divulge any details.

Sibal also declined to answer queries related to the panel of ministers rejecting the attorney-general's opinion and said the government would 'place all facts and reasons in a transparent manner' before the public after the cabinet approval.

According to a telecom department official, the one-time fee is likely to be applicable from the date of the cabinet decision. The government may also allow operators to pay in installments based on the remaining period of their licences, this official added. Last week, the EGoM had deferred a decision on this one-time fee as the law ministry had not given its opinion on it.

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