

## Pranab rejects 3G refund plea

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Raja may now seek more subsidy for BSNL.

Finance Minister Pranab Mukherjee on Thursday rejected a proposal by Communications Minister A Raja for refund of the Rs 29,598 crore paid by state-owned Bharat Sanchar Nigam Ltd (BSNL) and Mahanagar Telephone Nigam Ltd (MTNL) for third generation (3G) and broadband wireless access (BWA) spectrum.

Mukherjee turned down the proposal when Raja called on him at his office in the Parliament house this afternoon. The meeting lasted 10 minutes.

Sources said Raja then proposed that the refund could be made in phases over the next few years. But when Mukherjee refused to budge, Raja cited the threat by staff unions of these companies to go on strike from next month if the demand for a refund was not met by the government.

The unions have threatened to go on a three-day strike from September 21, followed by an indefinite strike, if the government doesn't return the 3G and BWA money.

Stung by the rejection, Raja is now working on an alternative proposal for the finance minister: Additional subsidy to BSNL to recover its growing losses from rolling out services in rural areas. BSNL already gets subsidy through the Universal Service Obligatory Fund to make up losses in operating land lines and broadband services in rural India. However, the department of telecommunications says the money reimbursed isn't enough for these loss-making operations. The new proposal is expected to reach Mukherjee soon.

Mukherjee, sources said, cited legal complications which might arise if this special dispensation was given to BSNL and MTNL and their fees were returned. He has said that private operators who forked out a staggering Rs 76,664 crore for the spectrum in 3G (four slots) and BWA (two slots) could petition the Telecom Disputes Settlement and Appellate Tribunal against such a decision, which would clearly discriminate against them. It would also be interpreted as violating the competitive environment in the sector.

Private operators were earlier peeved with the government decision to give the state telcos 3G spectrum two years earlier, in August 2008, giving them a first mover advantage, while they are still awaiting their allocation, expected to come on September 1.

BSNL is expected to make losses for 2009-10 with falling market share and delays in expansion of capacity. According to Chairman Kuldeep Goyal, the company had made a net profit of Rs 175 crore till December 2009. However, with an estimated Rs 3,700 crore

payment for wage arrears and a fall in revenues, BSNL may end the financial year in the red.

Raja had, a few weeks earlier, written to Mukherjee on precedents for the subsidy sought for BSNL and MTNL, besides mentioning the additional financial burden taken by these companies for services in loss-making rural markets as a reason for giving them special treatment.

He noted that under the telecom policy of 1999, BSNL was exempted from paying entry fee for cellular mobile licences. It was also asked not to pay the 2G spectrum charge of Rs 1,650 crore.

Apart from the 'social necessity' argument, the Joint Action Committee (JAC), represented by 300,000 executives and non-executives of BSNL had complained they were not given the chance to freely bid for the 3G auctions and choose markets in which they wanted to go. Instead, while spectrum was ensured to them, they had to pay for it across the country in line with the 2008 promise that whenever 3G spectrum was auctioned to private companies, the government telcos would match the winning bids.