

Low cellular licence fee for metros

Chance to earn Rs 10,000 cr more lost

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THE Government has frittered away an opportunity to earn at least an additional Rs 10,000 crore in the award of licences for four metropolitan cities by unilaterally fixing very low levels of licence fee.

According to telecom experts, this loss of revenue is much bigger than the loss incurred by the P V Narasimha Rao Government in any of the scams especially public share disinvestment and securities scam.

They say that the conservative estimate of Rs 10,000 crore payable over 10 years has been arrived at by taking into account comparable total licence fee of over Rs 20,000 crore which will accrue from cellular licences for 19 telecom circles.

In projecting this loss, experts have taken into view the telecom profile of Bombay, Delhi, Madras and Calcutta and their potential vis-a-vis the profile and prospects for the rest of the national telecom network.

The four metros account for 35 per cent of the installed telephone lines and being congested commercial areas offer the advantage of lower cost and higher revenue per cellular subscriber.

If the Government had invited cellular bids for four metros in the current year, it would have fetched about Rs 14,000 crore, against an estimated Rs 855 crore over 10 years on the basis of 1992 tendering competition.

In the present round of bidding for cellular licences for 20 telecom circles, the Department of Telecommunications (DoT) had stated that the bids would be evaluated on the basis of net present value of quoted licence fee.

This is in keeping with inter-

national practices. Telecom licences are generally awarded on the basis of licence fee quoted or profit-sharing arrangements.

The Government, however, goofed up in 1992 by excluding licence fee from financial bids and evaluating financial bids on the basis of a seven point-criteria without assigning weightages.

Weightages were assigned after opening the financial bids.

The seven criteria were: rental to be charged, project financing plan, foreign exchange inflow-outflow, indigenous equipment purchase plan, foreign partner's operating experience, financial strength of promoters of bidding companies and financial projections of cellular business.

Later, of the 100 marks for these points, 50 per cent weight was assigned to rental. Lower the rental quoted, higher the marks out of this weightage.

Though the general tender document for cellular competition issued in January 1992 had sought bidders' suggestions on licence fee and other charges, the document for financial bidding issued in July 1992, DoT specified a licence fee of Rs 3 crore in the first year, Rupees six crore in the second year and Rs 12 crore in the third year for Bombay.

In the case of Delhi, the fee was fixed at Rs 2 crore in the first year, Rs 4 crore in the second and Rs 8 crore in the third.

Similarly, in the case of Calcutta, the fee was specified at Rs 1.5 crore, Rs 3 crore and Rs 6 crore, whereas for Madras, it was Rs 1 crore, Rs 2 crore and Rs 4 crore.

The tender document said that for the fourth year onwards, the licencees in each metro would have to pay Rs 5 lakh per 100 subscribers or part thereof, subject to minimum values specified for 4th to 6th year and the subsequent four years.

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