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Bleeding BSNL to help private operators: The other Telecom scam

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Prabir Purkayastha, Newsclick, May 11, 2011

The 2G scam has shown how scarce national resources like the spectrum have been given at throw away prices to big capital. In this game, there are not only older players such as Reliance, Unitech and Tatas, but also newer players closely linked to certain political parties and figures. DB Realty and the close proximity of Shahid Balwa with Kanimozhi and Sharad Pawar has been doing the rounds for quite some time and is now becoming public.

The 2G scam did not end with just the allotment of the spectrum. SWAN, Reliance and others had very little desire to invest in infrastructure. It is now confirmed by CAG that the investment in infrastructure by either SWAN or Unitech before selling their shares was minimal. So how did they manage to get subscribers and start services?

This is where Raja came in again to help the 'friendly' companies to whom he had awarded licenses illegally. He issued BSNL, the state owned telecom utility, to provide 'roaming' services to these companies who had no infrastructure. This roaming is not the usual one of extending services to customers of other companies when they are outside their licensed area, but providing such roaming service even *within* the licensed area of the company. This meant that without putting up any cells or towers, these companies could provide services by riding on BSNL's infrastructure and pretending it is some kind of roaming service. This was the result of a direct order to BSNL from the Department of Telecom under Raja's aegis. No other telecom company was asked to provide such services to the new entrants.

It is unheard of in any infrastructure services for one company to provide infrastructure to another. There has been talk of sharing towers – common towers can be provided on which each company could mount its own cells, but even here this has been more in the realm of discussions than actual practice. However, providing all infrastructure for a competitor and pretend that it is some kind of roaming service is obviously using one company's resources to help a competitor company. Obviously, this was using BSNL's

resources to its detriment to help subsidise the operations of companies such as Reliance, SWAN and others.

One of the reasons that Unitech and SWAN could sell their shares at such high prices was because they could also claim they had started services and acquired subscribers, all piggy backing on BSNL. The BSNL employees' unions had raised these issues a number of times earlier with the PM and the Minister, but to no avail. Hopefully, the CBI will take cognisance of such additional measures that Raja took to help companies such as SWAN and others to make the 2G license even more valuable. While selling spectrum cheap was transferring peoples' resources to big capital, using BSNL to subsidise other telecom companies is to make BSNL increasingly less profitable and ultimately sick. In this way, BSNL, which at one time had a valuation of lakhs of crores will soon be seen as loss making and to be sold at a pittance. This is the trajectory the current Government was following under Raja. It remains to be seen whether Kapil Sibal would be any different on this score.

Raja did not only ask BSNL to give its infrastructure to other telecom companies. Over the last few years, he ensured that BSNL could not place orders for new equipment and get new customers. In 2006, Airtel and BSNL were running neck and neck with a subscriber base of around 20 million lines each. After Raja took over, he first threatened to cancel the tender for additional 45.5 million lines floated by BSNL under the previous minister, Dayanidhi Maran. After the BSNL employees took to the streets and the left took this issue up, he reluctantly cleared the order but by slashing it to 50%. Not surprisingly, BSNL could add only 30 million lines from 2007 to 2010 while Airtel added another 90 million in the same period. In the most lucrative circles – AP, Tamil Nadu, Gujarat, Maharashtra, etc.,>in the country, BSNL could not add any new subscriber as it had no additional GSM equipment. Today, BSNL is falling behind its competition not because it lacks the capability but because of a deliberate policy followed by the Department of Telecom and the UPA Government.

There have been other restrictions on BSNL for procuring equipment. While BSNL has been barred from procuring Chinese equipment for security reasons, other private operators have not been so barred. A further security instruction issued by the Home Ministry and the Department of Telecom was that all source code for telecom equipment should be given to BSNL, again for security reasons. The only equipment manufacturers willing to abide by this condition were the Chinese. The result – BSNL cannot procure equipment from any party and yet satisfy the two 'security' requirements laid down by the Government. These restrictions apply only to BSNL and no other telecom player.

One can go into great details of how many additional measures have been taken over the last decade to convert BSNL from a company that could fund its entire expansion from virtually its internal resources to today, where BSNL is likely to be a loss making company.

While the mobile story has been one of denying BSNL equipment so that they could not expand at the rate required, the fixed line business is even worse. Here, the private players are not willing to go into rural and loss making areas, offering services to only commercial and high revenue areas. The private operators were legally bound under their license terms to give service on demand to anybody in their licensed areas and also provide rural telephony. People may have forgotten but the induction of private players in fixed line services was supposedly for providing rural connectivity. Even today, the private

players routinely pay token fines and do not provide services to loss making and rural areas. BSNL is the only telecom company that provides services to such areas and customers.

Initially, the TRAI had initially considered that BSNL should get an Access Deficit Charge as it is the only company servicing such customers. Over a period of time, this was whittled down and finally merged with Universal Service Obligation fund. Since this levy is paid by all telecom companies, this did not help BSNL. Effectively, BSNL was providing rural services and also paying from their own USO levy for the same. Worse, with cellular operators also being entitled to draw from USO fund, BSNL is in fact now paying out more than its receiving, while being the only fixed line company providing services to rural and low paying areas. Incidentally, I am not aware of any country where USO fund is being also given to cellular operators.

The question before the people is this. If BSNL is allowed to become loss-making and finally privatised, will the rural and low paying subscribers get any service or new connection? If the long-term future of telecom is in Internet connectivity, will not the physical fixed lines be the backbone of such an Internet infrastructure? Allowing BSNL to be run down in this way, is not the Government frittering away valuable public resource?

The mode of operations where a state owned company subsidises its competition is not restricted to BSNL alone. The same *modus operandi* is visible in the case of Indian Airlines/Air India. Here also, the pilots have charged that Air India management and the Civil Aviation Ministry has worked in the interest of private carriers by Air India giving away lucrative routes, reducing number of flights on major trunk routes, taking up loss making routes. Initially, they were also asked to 'share' their resources with other private parties in the same BSNL mode. The Radia tapes indicate that Praful Patel could have major stakes in one of the private airlines, which has also been favoured in various ways by the Ministry of Civil Aviation.

The loot of public exchequer today is far more extensive than what has come out in public. While Raja may have got caught with his hand in the till on the 2G issue, there are numerous other cases where he has got way free.

or the Manmohan Singh Government, all this is a public relations issue. It is not that scarce national resources are being transferred to the capitalist class. For him and his ministers, it is how to dress all this up in a way that its image is not hurt in spite of the continuing loot. That is why are now to have a senior group of ministers carrying out a public relations exercise each day, while no effort is made to stop the loot. The image, not the reality, is what concerns this Government. This is the tragedy for the people and this country.

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