

**GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA**

STARRED QUESTION NO:423

ANSWERED ON:25.08.2004

PACKAGE FOR TELECOM INDUSTRY

Rao Shri Sambasiva Rayapati;Scindia Shri Jyotiraditya Madhavrao

Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether the Government had announced a package of over Rs. 960 crores to help the telecom industry in the last week of December, 2003; ,

(b) if so, the details of the package, indicating the nature and quantum of benefits that may accrue to the BSNL, MTNL and private operators; and

(c) the steps so far taken to implement the package?

Answer

THE MINISTER OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI DAYANIDHI MARAN)

(a) to (c) A statement is laid on the Table of the House.

STATEMENT TO BE LAID ON THE TABLE OF THE LOK SABHA IN RESPECT OF PARTS (a) TO (c) OF LOK SABHA STARRED QUESTION NO. 423 FOR 25TH AUGUST, 2004 REGARDING PACKAGE FOR TELECOM INDUSTRY.

(a) to (c): financial measures to be taken for further growth of telecom sector which inter-alia included:

The Government had announced in December 2003 certain financial and non-financial Measures:

(A) Financial Measures:

(i) Reduction in licence fee by 2% of Adjusted Gross Revenue (AGR) for Cellular/Basic/Unified Access Service licensees with a stipulation that no operator should pay less than 5% of AGR as stipulated for Universal Service Obligation Fund.

(ii) Reduction in licence fee in respect of cellular licensees who were granted licences on the basis of bids invited in 1995 for grant of licence in telecom circle service area by another 2% of AGR for a period of 4 years with a stipulation that no operator should pay less than 5% of AGR.

(B) Non-Financial Measures:

(i) A proposal for increasing the Foreign Direct Investment cap from 49% to 74% will be placed before the Cabinet. The extra proportion is to be provided by Foreign Institutional Investors only. The concern expressed by the security agencies is to be taken into account while considering such proposals in consultation with the security agencies.

(ii) The guidelines for Intra Circle Mergers and acquisitions to be issued expeditiously after considering the recommendation of Telecom Regulatory Authority of India (TRAI) on the subject.

(iii) Financial institution will be encouraged to access that relief steps on a case-by-case basis depending

upon the present financial conditions of the companies and viability of the prospective schemes.

The above mentioned reduction in licence fee has become effective from 151 April, 2004. It was estimated that the reduction in licence fee would result in reduction of revenues by about Rs. 885 crores for 2004-05. It was expected that Rs. 560 crores reduction will be attributed to BSNL, Rs. 100 crores to MTNL and Rs. 225 crores to Private Basic/Cellular and Unified Access Service Providers. The revenue implications of reduction of another 2% of AGR in respect of cellular licensees who were granted licences on the basis of bids invited in 1995 for grant of licence in telecom circle service area were estimated to be Rs. 83 Crores per annum.

The proposal to increase the Foreign Direct Investment was placed before the Cabinet in January 2004. The Cabinet decided to defer the proposal. Finance Minister, in his Budget speech has proposed that the FDI cap be enhanced to 74%.

After considering the recommendations of TRAI, the guidelines for Intra Circle Mergers and acquisitions have been issued on 21st February, 2004.

Ministry of Finance has been again requested on 7th August, 2004, whereby financial institutions are to be encouraged to access debt relief steps tOn case-to-case basis depending upon the present financial conditions of the companies and viability of prospective schemes.