

'Levy windfall tax on new players selling licences'

Former BPL Mobile founder Rajeev Chandrasekhar writes to PM

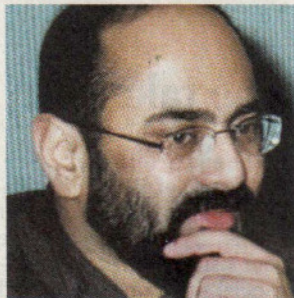
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The Member of Parliament and former owner of BPL Mobile, Mr Rajeev Chandrasekhar, has written to the Prime Minister suggesting the Government should impose a windfall tax on new mobile players if they sold their licences.

He has also suggested that the Government should formulate the Merger & Acquisition policy in such a way to ensure that there are at least 10 operators in each circle to sustain the level of competition.

Speaking to *Business Line*, Mr Chandrasekhar said, "The new operators got li-



Mr Rajeev Chandrasekhar

cences cheaply and without auction of spectrum, in the name of consumer interest. If the operator were to exit the business without rolling out infrastructure and creating a substantial business,

it is only appropriate that the profits accruing should be to the account of the Government and people of the country, and not to the operator alone. The profits made on any sale of licence must be taxed at a special tax rate."

TRAI CONSULTATIONS

Commenting on the ongoing consultation process being undertaken by the regulator on issues related to M&A in the telecom sector, Mr Chandrasekhar said that given the size of the Indian market, consolidations should be allowed only if it leaves at least 9 to 10 operators in every circle.

He also said that the Telecom Regulatory Authority of India (TRAI) should review its policy of forbearance in fixing mobile tariffs, especially with the objective of bringing down the cost of SMS services.

"It is not clear why TRAI continues to exercise forbearance where mobile tariffs are concerned, especially relating to SMS when its own cost data of August 2006 represents that the cost of terminating SMS is a small fraction of what is being charged and in the face of clear evidence that SMS charges are not reducing despite the high margins," he said.