

BACKGROUND & SALIENT FEATURES

MINISTRY OF COMMUNICATIONS

The New Telecom Policy, 1999 was approved on 26.3.1999. The NTP-99 states that the new policy framework which seeks to significantly redefine the competitive nature of industry, would be applicable to new licensees. NTP 99 also announced the Government's intention to satisfactorily resolve the problems being faced by the existing operators in a manner which is consistent with the contractual obligations and is legally tenable.

One of the major differences between the 1994 and the 1999 policy is the basis of the competitive bidding. Under the 1994 policy, the bidding criteria was the Licence fee whereas under the 1999 policy the bidding criteria has been the percentage of revenue sharing.

A large number of licensees under the 1994 policy were feeling difficulty in payment of the licence fee and wanted to switch over to the revenue sharing basis under the new policy. However, problems of contractual agreement

were coming in their way of shifting to the new regime.

After extensive consultations and analysing legal opinion the present package has been prepared so that the problems of the existing operators are resolved and at the same time all legalities are protected.

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- a. Present daily density 2.4 per 100
(desirable minimum 10)
 - b. Plan for 1997-2007
 - DOT - 307 lac lines
 - MTNL - 163 lac lines
 - Outlay - 222900 crores
 - c. Revenue loss to DOT as a result of TRAI's recommendation Rs. 1920 crores.

DECISION

MINISTRY OF COMMUNICATIONS

The Cabinet today decided to allow, the migration of the existing licensees, of all Telecom Services, including basic, cellular, paging and other value added services, to the New Telecom Policy, 1999.

Ministry of Communications

Details of Package for Migration to the New Telecom Policy, 1999

1. Integration of Licences issued under the 1994 Telecom Policy into the New Telecom Policy (NTP) – 1999 will not be retrospective but only from the prospective date to be decided by the Government.
2. Payment on arrears of Licence Fees including interest as provided in the licence agreements upto the prospective date to be determined by the Government will have to be made for migration to NTP-99.
3. Requisite Bank guarantees for the total amount of arrears including interest will have to be provided for the period till the arrears are cleared.
4. Licensees were earlier required to pay 20% of the outstanding dues as an immediate measure. A further upfront payment of 15% of the arrears of Licence Fees will have to be made

on or before 15th August, 1999, thereby totalling to 35% of the dues upto 31.07.1999.

5. Both the operators in case of cellular services in each service area will have to accept this package to bring multipoly otherwise both will remain under the old regime.
6. There shall be a lock-in period of 5 years from the date of the licence agreement in respect of the present share holders. No transfer of shares will be permitted during this period.
7. Relief will be provided to the licensees by extending the period of their licences from the present 10 years to 20 years from the date of existing licence agreement. The effective date of all licences for basic and cellular services will also be extended by a period of 6 months except for the metro cellular areas. Relief by way of re-schedulement of payment of arrears will also be given.
8. The aforesaid package will have to be accepted in toto by the 1994 licensees and thereupon all legal proceedings will be withdrawn.

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9. The cut off date for change over to the NTP, 1999 regime shall be 1.8.99.

10. Migration of value added services from the present regime to NTP, 99 will be permitted on the basis of the similar package and modalities for the same will be finalised by the Ministry of Communications in consultation with Telecomm Commission.