

The Hidden Telephone Tax

by M. R. Masani, M.P.

MANY people by now know that the price they pay for a match box, tea, kerosene, cloth or a motor car includes a large element of tax collected by the Government in a concealed way. But few people know that, when they use a telephone or book a telegram or hire a teleprinter, they too are being taxed. And, as it happens, this tax is exclusively for the running of the Postal Department. How does this happen?

This question is necessitated by the painful manner in which the inadequate availability and low efficiency of the telephone and telegraphic system is becoming increasingly a public scandal.

A study of the annual administration reports of the Posts and Telegraphs, specially its profit and loss accounts, reveals this. The accounts of the postal and telecommunications (telephones, telegraphs and wires branches) are separately shown and, therefore, the profit and loss of each branch are easily ascertainable. From 1961 onwards, the Postal branch has incurred losses nine times, a year's loss amounting to as much as Rs 120 millions. But since the two branches are treated as one department and as one entity these losses are made good by the surpluses of the telecommunications branch.

A Basic Service

A fundamental question arises: is it logical or in accordance with principles of natural justice and equity that telephone users as a class should alone subsidise the postal services? How can this be avoided. And in what way can the development of telecommunications in India be expedited?

In our country, as in many other countries of the world, postal facilities have come to be looked upon as a basic service like health, education or irrigation. Post offices are, therefore, being opened in more and more

remote areas. The cost of manning and operating these is much larger than the additional revenues generated and hence the increasing losses in the postal branch. If this service is to be run as a commercial department, which means that it should make a profit, the rates should be raised. The bulk of the current loss is on post-cards and to make up for this at least partially, the rates on other facilities like registration have already been increased. A further rise would be most iniquitous. The postcard is the common man's means of communication and so a rise in its price would be stoutly resisted by the public and rejected by the politicians and ministers. We have, therefore, to reconcile ourselves to a loss-making postal department. This is more or less a universal phenomenon and has nothing to do with overstaffing or lack of automation for, even in the U.S. with maximum automation, the post office incurs losses. The latest proposal there to remedy this is to make it over to free enterprise. Hospitals do not produce profits nor do schools. All the same, we do not stop expanding them as their benefits are indirect and not susceptible of easy measurement. But the losses in running them are not made good by a cess on fruit vendors or writers or lorry owners alone. They are borne by the public in general. So should the postal losses be borne not by a particular class but by the public in general.

If this principle is realized and accepted, there would immediately be a basis for a rapid expansion of telephones and a cheaper service by the utilization of the current surpluses of the telecommunications branch for its own expansion. The surpluses eaten up by the postal branch since 1951 and the telephone tax every user has been paying to sustain the postal services are given in the table below:

	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68
Revised Budget																				
estimates																				
17.28	7.95	5.1	3.86	19.4	0.48	2.3	20	7.7	12.85	29.2	85.26	100.28								
332	537	674	858	961																
23	23	47.5	100	104																

Apart from this irrational 'telephone tax' there are other ways in which the arbitrary lumping together of the Postal branch with telecommunication is acting as a millstone around the latter's neck.

The postal service is a labour-intensive branch and has too many problems involving staff and not permitting of easy solutions. Out of nearly 420,000 Posts and Telegraphs employees, as many as 330,000 are in the postal branch. When benefits like houses are to be shared, the loss-incurring postal branch gets 80 per cent of them, leaving the personnel of the profit-earning telecommunication branch disgruntled. At the higher levels, in the regional administrative offices called the Circles, Directors of Telegraphs work under postal officers, and vice versa. This leads to friction and tells adversely upon the promotional prospects of the directors in both branches. The separation of the postal and telecommunication branches is the only way to avoid the eating up of the telephone surpluses by the postal branch and to secure the elimination of unearned rewards.

It is only a historical accident and irony that these two branches are lumped together.

given their life-time to the telecommunications service.

The third step should be financial autonomy. The Finance Member of the Board at present is not a P&T man. He is a Joint Secretary of the Ministry of Finance (Communications) and ex-officio member (Finance) of the Board. He and his representatives have no fundamental loyalties to the Telecommunication Department. They cannot say 'this is what we have planned' but are proud to say 'we have approved' such and such scheme. The attitudes behind the two statements make all the difference whether they actively help or hinder the development of telephones. The telecommunications Board should have its own financing wing which will be a part of the administration and will, therefore, have as much stake in performance as the engineers have.

And, finally, the important question arises whether the services should be run as a government department or by a full-fledged autonomous corporation. Telecommunications are a very costly business as a lot of investment is to be done much in advance of actual requirements. It is here that the difference between government and a truly commercial organization comes in. The former has resources restricted by the general budgetary position of the Government; the latter can issue debenture bonds, raise loans and take deposits. In 1952, Japan faced this problem squarely and came to the conclusion that the telecommunications services should be run by a public corporation on sound business and commercial principles. The results are spectacular. Since 1952, the telephones there increased 32 times from half a million to 16 millions. It was the financial freedom and the business outlook of the corporation which achieved this miracle.

Japan's Example

Japan has given a head start to its Corporation by treating the capital already invested as an outright grant so that the dividend liability which will be onerous in the initial stages (for this would be in addition to the corporation tax) is avoided. The Corporation would be free to plan and execute its development programmes within the broad framework of certain social and financial objectives.

Even orthodox and conservative Britain has decided to constitute the postal and telecommunication services into a public corporation.

That the finances of the telecommunications department in India are basically sound is evident from the fact that the internal resources for investment increased from 19.8 per cent in the First Plan to 40 per cent in the Third Plan.

In our country, in spite of the significant addition of telephones (existing as on 31st March 1951—160,000; additions during 1st Plan—110,000; during Second Plan—185,000; during Third Plan 416,000); the waiting list has tremendously increased to 350,000 by March 1966. It is estimated that by 1971 the waiting list would be about 600,000. The potential demand is indeed much more as the prospect of getting no connection inhibits a person from registering his demand.