

*For Dutt*The Hidden Telephone TaxThe Case for a Telecommunications Corporation

by

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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?

The raising and answering of 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 wireless) branches are separately shown and, therefore, the profit and loss of each branch are easily ascertainable. From 1951 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 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.A. 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 realised and accepted, there would immediately be a basis for a rapid expansion of telephones and a cheaper service by the utilisation of the current surpluses of the Telecom 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:

Year	49	50	51	52	53	54	55	58	61	65	66	67	68
												Revised estima- tes	Budget estimates
Telecom surplus used up by Postal Branch (in millions of Rs.)	17.28	7.95	5.0	5.86	19.4	0.46	2.3	20	7.7	12.85	29.2	85.26	100.38
Telephones (in thousands)	70	82	102	110	122	139	149	214	332	557	624	858	961
Tax paid by a telephone sub- scriber (Rs.)	247	98	49	53	158	3.3	15.5	95.5	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 Telecom 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 470,000 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 Telecom 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 means 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 legacy that these two branches are lumped together. Even then, since 1854, these two existed as departments for 57 years out of 113 under separate Directors-General — longer than they have been together. In the U.S.A., Japan and Sweden, to mention some examples, these are separately separate

administered. Pakistan went into this question thoroughly and separated the two departments a few years back.

Can separation alone bring about a rapid development of telephones? Not necessarily. This would only be a first step. More important is how adequate financial resources could be made available. How could the administration be reformed to perform a truly commercial function?

After separation, the second step should be the abolition of the post of Director-General. We have a P&T Board. There would now be a Telecommunications Board. The senior member of the Telecom Board should act as the Chairman besides looking after his own portfolio precisely like the Chairman of the Railway Board. This would do away with the practice of a non-technical, roving I.C.S. officer sitting over the heads of engineers who have 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 Telecom Department. They cannot say 'this is what we have planned' but are proud to say 'we have approved' such and such a scheme. The attitudes behind the two statements make all the difference whether they actively help or hinder the development of telephones. The Telecom Board should have its own financing wing which will be a part of the Telecom administration and will, therefore, have as much stake in performance as the engineers have.

And, finally, the important question arises whether the Telecom 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 organisation 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 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 Telecom services into a public corporation — an officer drawn from

the private industry has already set about this task of organising and bringing this corporation into being.

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 19.6 percent in the First Plan to 40 percent in the Third Plan. Modern services like Subscriber Trunk Dialling and Teleprinter Exchanges have already started earning huge revenues.

In our country, in spite of the significant addition of telephones (existing as on 31st March 1951 - 168,000; additions during First 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. This can only be mitigated by a fundamental reorganisation involving the abolition of the post of Director-General and allowing a senior Member to work as the Chairman; the separation of the Postal and Telecommunication Branches; and the constitution of a Telecommunications Corporation.
