December 8, 2010

Ratan N Tata
Chairman

Dear Rajeev,

I am currently overseas and have just seen a copy of the open letter you have addressed to me with copies to the entire media community. This is of course in keeping with the current trend of attempted character assassination through widespread media publicity couched in pain and concern for upholding ethics and values. Your letter is based on untruths and distortion of facts and I feel compelled to place the real facts, as bluntly as possible before you. I hope this will also be broadly disseminated to the same audience as your letter. I am of course well aware that some media houses will choose not to publish or air my response in deference of their owners, who are the real gainers in the telecom sector, with whom you have unfortunately aligned to provide a massive diversion of attention away from the real culprits in the telecom space.

You will appreciate that the Government's stated telecom policy of 1999 set out the principles of a technology neutral environment. When cellular mobile telephony was introduced, the first set of operators, including yourself, chose GSM, the broadly used European technology at that time. The first set of cellular mobile operators received their licenses based on an auction process in circles for which some of them and their partners submitted very high bids. Later in July 1999, in a BJP-led NDA Government, in accordance with the recommendation of a Group of Ministers headed by Mr. Jaswant Singh, the fixed license fee regime was changed to a revenue share regime (which exists even today). If a hypothetical amount was to be calculated, similar to one which has been done in the CAG report, at that point of time, the loss to the exchequer would be about Rs.50,000 crores and the exchequer would have been deprived of this amount. Realistically, however, the revenue share system would have recouped some amount over time and this important change most probably has been

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responsible for the greater growth of the industry as it enabled tariffs to be reduced.

CDMA technology (a newer and more spectrum efficient technology), was utilized by some operators for fixed wireless operations such as PCOs and for last mile wireless connectivity for fixed line phones. The first attempted deviation of stated policy was in January 2001 when the then telecom minister, Mr. Ram Vilas Paswan, in a BJP-led NDA Government, sought to allow the fixed wireless application of CDMA - for limited mobility on the grounds that it would be available to the public at a lower price. The GSM operators led by you mounted a campaign lobbying against this on the grounds that it would be unfair to the incumbents who had made investments and who had enjoyed first mover advantage.

You will recall that you and Nusli Wadia approached me in the Chambers in Taj Mumbai in July 2002 to sign an appeal to the then Prime Minister, Mr. A. B. Vajpayee, Deputy Prime Minister, Mr. Advani and Finance Minister Mr. Jaswant Singh not to allow fixed mobile service providers to provide mobile services. I enclose a copy of your fax dated July 12, 2002, requesting me to sign and the draft letter which I was supposed to sign. In para 2 of this letter your objective amongst other things was to reach a 50 million subscriber base by 2006. To refresh your memory, I enclose a copy of the letter dated August 16, 2002, that I wrote to you expressing my inability to sign such a letter as it would block the introduction of CDMA technology and I believed that the telecom industry needed to be technology neutral but what I agreed with you was that any new operator should pay the same fee as the incumbents so that all operators were equalized and that no one was disadvantaged. As a result of a technology agnostic policy we achieved more than 100 million subscribers in 2006 and to date 700 million. I am also enclosing a copy of my letter to Mr. Vajpayee dated January 12, 2001, in which I advocated an open, transparent process giving all parties a chance to be heard – a stance that I have not changed till date. This had angered you and the other operators who were not interested in a level playing field and lobbied aggressively through COAI to ensure that a technologically agnostic environment would not come to pass. It is obvious that an industry driven by technology cannot confine itself to a single technology only because that was the technology employed by a handful of operators who derived early mover advantage, enjoyed high ARPUs and in fact thwarted new - admittedly more efficient technology like CDMA. China, Korea and even the U.S. have built their large subscriber numbers on the utilization of both CDMA and

GSM technologies. Growth could have been far greater had incumbent operators like yourself risen above their self-interest of protecting their investment and allowing the existence of all technologies on an equal footing.

However, in pursuance of the spirit of NTP 1999, the Government did indeed implement the technology neutral policy in November 2003. The minister involved was Mr. Arun Shourie in the same BJP-led NDA government under Mr. Vajpayee. This was implemented through the creation of the UASL regime which enabled existing license holders to migrate to UASL license providing freedom of choice of technology and where a pan-India license could be obtained for a fee of about Rs.1,650 crores, the same fee paid by the successful fourth cellular mobile operator. Mr. Shourie needs to be commended in implementing this far sighted policy, which has enabled technology to be the driver of the industry, rather than technology protected growth.

I will now briefly touch on the points you raised regarding TTSL and the alleged advantage they gained. I have requested TTSL to address those issues in greater detail to you directly.

- On the issue of various allegations you have made on the so called benefits gained by TTSL, so called out-of-turn allotment that you claim have been given by DoT, you have chosen to misrepresent the facts as they suit you to justify the claims you have made. The true position is that TTSL has not - I repeat **not** - been advantaged in any way by Mr. Raja or any earlier Minister. The company has strictly followed the applicable policy and has been severely disadvantaged, as you are well aware, by certain powerful politically connected operators who have willfully subverted policy under various telecom ministers which has subsequently been regularized to their advantage. The same operators continue to subvert policy: have even paid fees for spectrum, even before the announcement of a policy, and have "de-facto ownership" in several new telecom enterprises. Licenses were granted to several ineligible applicants. Several licensees have spectrum in excess of their entitlement as per license conditions and not on the self-styled capacity spectrum efficiency that you have chosen to mention. This is the smoke screen that I am referring to as these subverters of government policy continue to do so to their advantage and their acts are being ignored or condoned. TTSL, on the other hand, as an existing licensee, applied for spectrum under the dual technology policy after the policy was announced on October 19th,

2007 and is still awaiting allotment of spectrum in Delhi and 39 key districts for about three years whereas operators who applied - and paid the fee even before the policy announcement - were not only considered ahead in line but were allotted spectrum with amazing alacrity in January 2008 itself. I am surprised that you have chosen to sidestep this very important aspect.

- The investment by NTT DoCoMo in TTSL was not based on a zero base valuation, like others, but was based on the performance of the company with 38 million subscribers, pan-India presence of network, offices, channel, turnover of Rs.6,000 crores, 60,000 km. of fiber: - and the potential growth of the company. The valuations are on the basis of a due diligence and service evaluation of the company's service quality by DoCoMo.

- On the question of hoarding of spectrum to which I have referred, you will no doubt remember that in 2005 I made an issue of the fact that spectrum was a scarce resource and needed to be paid for rather than given free as was being proposed. The government policy entitled operators to no more than 6.2 MHz on the basis of their license conditions. All additional spectrum should have been returned or paid for. Even TRAI has recommended this in July 2010. I believe that TTSL was the only operator that returned spectrum when demanded by DoT. The CAG report clearly indicates which of the powerful GSM operators are holding spectrum beyond their entitlement free of cost and to the detriment of the other operators.

- On the question of many disadvantaged new applicants who have supposedly been denied licenses in 2007, you are well aware that many of the applicants were proxy shareholders in high places, and were applying to enter the sector with a view to monetize the license once received. Even those that were granted license and spectrum have failed to effect any meaningful rollout of services. Strangely, you have chosen to ignore this fact and singled out TTSL who have, in fact, put in place a network supporting 82 million subscribers, despite the fact that they have been deprived of spectrum in Delhi and the 39 key districts over the past 3 years as mentioned earlier. How could you – or anybody - possibly consider this to be a beneficial situation for TTSL?

Let me address the question of the Tatas' need for an external PR service provider. Ten years ago, Tatas found themselves under attack in a media campaign to defame the ethics and value systems of the group which held it apart from others in India. The campaign was instituted and sustained through an unholy nexus between certain corporates and the media through selected journalists. As Tatas did not enjoy any such "captive connections" in this environment, the Tata Group, had no option but to seek an external agency focused at projecting its point of view in the media and countering the misinformation and vested interest viewpoints which were being expressed. Vaishnavi was commissioned for this purpose and has operated effectively since 2001. You yourself have interacted with Niira Radia on some occasions in the past and it is therefore amazing that you should now, after nearly nine years, seek to denounce Tatas' appointment of Vaishnavi. Also, the statement regarding Tatas employing Mr. Baijal is completely false. Vaishnavi is neither owned by the Tata Group nor is the Tata Group Vaishnavi's only client. Mr. Baijal, whom you apparently have a dislike, is part of Noesis, (an affiliate of Vaishnavi in which Tatas have no ownership) and, as facts will show, on various occasions has differed with the Tata Group during his period in office and has not advocated or influenced Telecom policy for the Tata Group in any way.

You and many others have focused your attention on Ms. Radia as a corporate lobbyist. I would like to draw your attention to the following–

- You parked yourself at the Taj Mahal Hotel Delhi, for several months since 2002 which was the centre of operations for you to prevent entry of WLL Limited Mobility and CDMA as well as to interact with the polity and bureaucracy and with other operators to forge telecom policy of your choice. You did this in your own capacity as also as President of COAI.

- You also constantly solicited support of CII.

Would you not consider this as an endeavor to influence or subvert policy? To influence politicians or solicit support from selected corporates? I take it that in your view this would not constitute lobbying.

Your affiliation with a particular political party is well known and it appears that their political aspirations and their endeavor to embarrass the Prime Minister and the ruling party may well have been the motivation behind your letter and the insinuations which you make. We should all note that many of the flip flops in the telecom policy occurred during the BJP regime. Whatever may be said, it must

be recognized that the recent policy broke the powerful cartel which had been holding back competition and delaying implementation of policies not to their liking, such as growth of CDMA technologies, new GSM entrants, revision in subscriber based spectrum allocation norms, and now even number portability. You yourself have publicly commended in November 2007 such initiatives and the minister for breaking the cartel and reducing the cost of service to the customer.

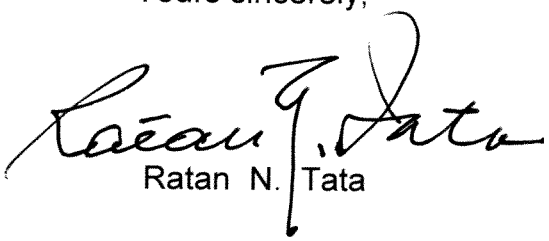
The 2G scam ostensibly revolved around Mr. Raja's alleged misdeeds and some parts of the CAG report were quoted as having indicted the minister. Much has been made about the hypothetical loss to the exchequer in the grant of new licenses and the grant of spectrum on the basis of 3G auction prices, (which were not known or even foreseen at the time of granting such licenses and spectrum). However, the media and even you have chosen to ignore the rest of the CAG report in which excess possession of spectrum, the disadvantages to TTSL by name, the irregularity in allotment of licenses to most players whose applications were ineligible to be considered in the first place have been clearly stated in detail. You have also not noticed that the CAG has not ascribed value to 48 new GSM licenses issued to incumbents between 2004-08 and 65 MHz of additional spectrum allotted to incumbents during this period even though the CAG was supposed to cover the period from 2003. I would have thought that all this would have been of public interest and should have been widely reported. I support the ongoing investigations and believe that the period of investigation be extended to 2001 for the nation to know the real beneficiaries of the ad hoc policy-making and implementation.

Finally, you have chosen to lecture me on the responsibilities of upholding the ethics and values which the Tata Group has honored and adhered to through the years. I can say categorically that we have not wavered in upholding our values and ethical standards despite the erosion in the ethical fabric in the country and despite the efforts of others to draw us into controversy and endeavor to besmirch our record. When the present sensational smokescreen dies down, as it will, and the true facts emerge, it will be for the people of India to determine who are the culprits that enjoy political patronage and protection and who actually subvert policy and who have dual standards. I can hold my head high and say that neither the Tata Group or I have at any time been involved in any of these misdeeds.

The selective reporting and your own selective focus appear to be diversionary actions to deflect attention away from the real issue which plagues the telecom industry, in the interest of a few powerful politically connected operators. Perhaps it is time that you and members of the media do some introspection and soul searching as to whether you have been serving your masters or serving the general public at large.

With warm regards,

Yours sincerely,



Ratan N. Tata

Mr. Rajeev Chandrasekhar
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To: R N Tata
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Date: 07/06/2002

Dear Mr Tata:

Upon advice from our friend, we are proposing a letter to Pm, DyPM and FM on the telecom sector crisis. It would help considerably if could sign it along with all of us? I will forward a copy to your office. I have been advised that letter must be put in urgently.

I am still in delhi and I am on my mobile if you want me to speak on this.

Regards
Rajeev
P.S: I am faxing this from my mobile and so this rough fax.

12th July 2002

Shri Atal Bihari Vajpayee
Hon'ble Prime Minister of India
Prime Minister's Office, South Block
New Delhi 110011

Hon'ble Prime Minister,

We write this letter to you to draw your attention to the serious crisis facing the cellular mobile industry and its various stakeholders – subscribers, domestic and foreign investors and lenders and lakhs of employees, due to the DOT decision to allow fixed service providers to provide mobile services.

The cellular industry, which has invested Rs.20,000 crores in the last seven years, has paid approx. Rs.9,000 crores as entry fee to obtain cellular mobile licenses, auctioned through a transparent bidding process. The industry, which serves more than 7.3 million cellular mobile subscribers today, with an objective of reaching 50 million by 2006, appeals for your urgent intervention to prevent serious and permanent damage that may be caused to this sector.

While this act was justified by projecting WLL as an affordable service, resulting from a cheaper technology, it is now well established that there are no cost advantages for WLL (CDMA) over cellular mobile (GSM). In fact, the only real advantages are the differential license/entry fee and certain other terms like interconnect, which have been decided by the DoT and the TRAI. These advantages, in effect, reward fixed service providers, who have made minimal investments and have failed to deliver on most of their license obligations of teledensity or village phones, since 1995. In contrast, it

penalises the cellular industry, which has met all its obligations, made huge investments and brought tariffs down almost 80% from Rs.16.80 in 1996 to below Rs.2 currently. Cellular networks provide service to almost the entire nation, covering 1400 cities/towns and 60,000 villages.

The government's GoT-IT, in April 2001, reviewed the DoT's decision on WLL and materially altered the DOT's decision, in order to ensure that these two services are different and distinct. Obviously, they did this because they clearly recognized that this so called WLL service would significantly and adversely damage the cellular sector, because of the favourable terms that fixed service providers were being given by the DOT, included obtaining a mobility license without paying any of the huge license/entry fees that the cellular operators have had to pay.

While we respect the GoT-IT effort in this regard, it was later discovered that GoT-IT was made privy to only partial information and was unaware of DoT's own decision, which explicitly disallowed any form of mobility for fixed service providers in 1999. In its report of April 2001, GoT-IT found serious flaws with the DoT / TRAI conclusions and recommended changes on interconnection and spectrum allocation with a strict adherence to TRAI's technical recommendations, in its intention to ensure distinction between these two services.

Unfortunately, subsequent to the GoT-IT report, several of GoT-IT's decisions are being watered down and selectively altered. Similarly, TRAI's own recommendations, which were projected as the basis of the DoT decision, have been changed to circumvent the original license conditions, which were to ensure distinction between cellular and fixed service providers, such as :

1. GoT-IT mandated a completion of village telephony obligations (VPT) by December 2002, by fixed service providers as a pre-condition to limited mobility service - 5 years later, less than 2% of the VPTs have been installed with less than 6 months for the extended deadline to expire (less than 2,000 VPTs out of the 1,02,699).

2. GoT-IT recommended frequency allocation to be linked to rollout in SDCAs. However, no such linkage between rollout and allocation is being practised.
3. GoT-IT recommended adherence to TRAI's technical specifications to ensure distinction between limited and cellular mobility (by way of a certain V5.2 technology etc.), which are being routinely violated by existing providers and has been modified in the new fixed service licenses, even against TRAI's advice.
4. GoT-IT left the matter of ensuring interconnect-related level playing field to the TRAI, which continues to be discriminatory and against the interest of more than 7 million existing cellular subscribers.

In view of the above and several such issues, we request you, on behalf of more than 7 million cellular subscribers, lakhs of employees in this sector, lenders, as well as domestic and foreign investors to urgently intervene to prevent this unjust treatment and to ensure fair and equitable treatment to subscribers and investors of the cellular mobile sector, which are consistent with the letter and spirit of the GoT-IT's efforts in this regard.

Yours Sincerely,

RAJAN NANDA	SHASHI RUIA	SUNIL MITTAL
Escorts Limited	Hutchison Essar	Bharti Enterprises
BK MODI	TY GRAHAM	HARSH GOENKA
ModiCorp	Birla AT&T Tata Limited	RPG Enterprises

RAJEEV CHANDRASEKHAR
BPL Communications Limited

TATA

August 16, 2002

Ratan N Tata
Chairman

Dear Rajeev,

My apologies for not responding earlier to your fax of July 12th. I have been besieged with shareholders meetings and I have also subsequently been in the U.S. for a week.

My position has always been that we should not build a case for or against any particular technology application, but instead, should demand a level-playing field between the various service providers, so as not to disadvantage the earlier investors. This position was the one I took in my own letters to the Prime Minister and also with the Cellular Operators' Association when we met at the time of the GoT-IT meetings. Furthermore, in the Infrastructure Report which I chaired for the Prime Minister's Council, my recollection is that we advocated moving away from the duopoly and towards permitting free entry on the basis of spectrum purchase.

Unfortunately, your letter embodies the same position as that taken by various Cellular Operators with which I do not agree. I do, however, totally share and endorse the view that earlier investors should not be disadvantaged by preferential terms given to new investors – whatever system or technology application there may be. I hold the view that many of the "compartments" created are arbitrary. Eventually, the service should be provided in two basic forms only, namely, Wireless and Fixed Line. The important issue will be connectivity, and not the mode of connectivity.

I would be very pleased to co-sign any letter that incorporates the views I have expressed, but regret I cannot co-sign a letter along the lines which you have sent me. I hope you understand my position.

With regards,

Yours sincerely,

Ratan N. Tata

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TATA

January 12, 2001

Ratan N Tata
Chairman

Dear Mr. Prime Minister,

I took the liberty of writing a letter to you on December 15th, in connection with changes which I understood the Government was about to make in the existing Telecom Policy, which I believe would have a serious impact on the existing service providers.

As you are aware, the Telecom Regulatory Authority of India (TRAI) have now made their recommendations to the Government for changes in the interpretation and implementation of the existing Telecom Policy.

The NTP 99 policy was announced after a full and transparent process involving a task force, a group of ministers, as also after ensuring its legality. Thereafter it was approved by the cabinet. I suggest therefore that any changes in the NTP 99 Policy should undergo the same transparent process and be referred to the current group of ministers dealing with convergence which includes telecom, rather than being done through an executive action. The group of ministers would then have the opportunity of hearing everyone's viewpoints and ensuring an equitable and fair policy for existing and future operators.

Though I fully support the objective of providing telecom services to the consumer at a lower cost, I feel that my suggestion that the changes in policy be referred and decided by a group of ministers would create the necessary confidence amongst current and future investors, both foreign and domestic.

As requested in my letter, I would be most obliged if you would give me an early opportunity to call on you and express my concerns.

With personal regards,

Yours sincerely,

Ratan

Ratan N. Tata

Mr. Atal Bihari Vajpayee
Prime Minister of India
New Delhi

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