

While the government appears to be displaying no particular sense of urgency to cancel the licences A Raja gave out for a fraction of their market value, even though the courts declared the process illegal more than a year ago, a solution has been proposed by one of Raja's beneficiaries. Loop Telecom, partially owned by the Essar Group, which also owns 33% of Vodafone-Essar, is in all manner of trouble. It is being investigated for whether its principal shareholders (relatives of the Ruias of Essar) are really just a front for the Ruias (if they are, the Ruias are in violation of the licensing rules); the CAG has said the company never even met the eligibility criterion and so its licences should be cancelled; independently, Trai has said 20 of the company's 21 licences have not rolled out their network as per the licence conditions and so the licences should be cancelled. Loop, through an affidavit filed by it in the Supreme Court, now wants to smoke the peace pipe.

According to Loop's affidavit, the company is now willing to give up its licence and spectrum and wants the government to auction it. If the government gets more than the R1,454 crore the company paid, it is asking the government to give it back what it paid, or to allow it to match the auction bid that it gets. Loop's reasoning is a solid one. There are pretty good chances the Supreme Court will ask for its licence to be cancelled—in any case, the process was declared illegal more than a year in the STel case. Two, even if the licences are not cancelled, Loop cannot hope to set up anywhere near an economic-sized operation with just the 4.4 MHz of spectrum it got from Raja. So why not, the argument probably goes, at least get back the money paid. Much the same argument, needless to say, applies to all the other companies that Raja benefited. Loop's offer paves the way for them to make similar offers. A lot depends now on how the government treats the offer. If it ignores the offer, the only way forward is a long and lengthy court process of cancellation. This is a good break the government has got. If it botches this one up, it has no one to blame but itself.