Supreme Court Order on AGR

Why in News?

The Supreme Court (SC) came down heavily on the Department of Telecommunications (DoT) for issuing a notification regarding AGR.

What is AGR?

- The Telecom operators are required to pay licence fee and spectrum charges in the form of 'revenue share' to the government.
- The revenue amount used to calculate this revenue share is termed as adjusted gross revenue (AGR).

What is the story behind?

- DoT notified that no coercive action should be taken against telecom companies, even though they had not paid the AGR dues by the stipulated deadline of January 23, 2020.
- A three-judge SC Bench initiated contempt proceedings against the telecom companies for not paying the AGR dues.
- The court also asked DoT to immediately withdraw this notification.

What is the background of SC order?

- In October, 2019, the court had said the companies must pay all dues along with interest and penalty.
- Some telcos had tried to persuade DoT to relax the deadline. After failed to do so, they moved the court seeking a review of its judgment.
- The court dismissed the review petition in January 2020, and did not extend the deadline for paying AGR dues.

What does SC order on AGR mean?

- The SC order means that the telcos will have to immediately clear the pending AGR dues, whcih amount to nearly Rs 1.47 lakh crore.
- Some telcos face the prospect of shutting down business due to the trouble they undergo for not paying the AGR dues on time.
- Other than the telcos, non-telecom companies could also be facing huge

payouts individually, which amount to total of Rs 3 lakh crore.

What exactly did the government notification say?

- The Licensing Finance Policy Wing of DoT directed all government departments to not take any action against telecom operators if they failed to clear AGR-related dues as per the SC's order.
- The order came as a huge relief for operators that would have otherwise faced possible contempt action for not paying dues by the deadline that ran out on that same day of SC's order.
- There was no change in the amount they had to pay, but it did buy them time as they hoped for relief from the SC.
- The SC was to hear their plea seeking permission to negotiate the timeline for payment of dues with the DoT.
- Prior to the DoT order, the companies had told the government that they would wait for the outcome of the SC hearing, which however gave no relief to the companies.

Where does the government stand in this situation?

- The payout by telecom and non-telecom companies is likely to lead to windfall gains for the central government.
- This payout could help the government to close some of the fiscal deficit gap for the current financial.
- At the same time, however, the government will be under pressure to ensure that the telecom market does not turn into a duopoly.
- It will also have to manage the payouts to be done by **non-telecom companies** as most of them, such as Oil India, Power Grid, Gail, and Delhi Metro Rail Corporation are public sector units.

What does this situation mean for customers and lenders?

- **Customers** - If Vodafone Idea exits, an Airtel-Jio duopoly may be created which could lead to bigger bills.
- It was the cutthroat competition of the sector, which made mobile telephony and Internet almost universally affordable.
- **Lenders** - The AGR issue has triggered panic in the banking industry, given that the telecom sector is highly leveraged.

Source: The Indian Express



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