Telecom AGR Dues Case - SC Ruling

Why in news?

The Supreme Court has directed the telecom companies (telcos) to file affidavits giving details on their Adjusted Gross Revenue (AGR)-related dues to the government.

What is AGR?

- AGR is the basis on which the Department of Telecom (DoT) calculates levies payable by mobile operators.
- Essentially, it is a metric calculated from a company's gross revenues.
- It is used to determine the levy to be imposed on the tele-income.

What is the case about?

- The AGR issue is a 14-year-old case.
- It relates to mobile operators (telcos) locked in a legal battle with the government over the definition of the term AGR.
- The telecom providers insisted that AGR should only include revenue from core operations (telecom services).
- They say that other sources should be excluded from AGR calculations.
- But, the DoT maintained that AGR also embraced non-core revenue (non-telecom services).
- These include revenue from the sale of assets, interest on deposits, rental income and such like.

What was the earlier court ruling?

- Ending the legal tussle, the Supreme Court in October 2019 rejected telcos' definition of AGR.
- It thus held that telecom companies have to pay fines and penalties on the unpaid fees, other than termination fee and roaming charges.
- The Court allowed the Centre to recover over Rs 92,000 crore from the already financially stressed telecom industry within 3 months.
- The order came as a major blow to the two incumbent operators, Vodafone Idea and Bharti Airtel.
- This, in turn, forced them to hike tariffs.
- In February 2020, the Supreme Court condemned the mobile operators for

non-payment of dues.
- The court warned them with contempt proceedings if they did not pay up the dues by March 17, 2020.

What is the issue with non-telecom PSUs?

- Non-telecom companies hold nearly 3,500 telecom licences, such as to provide Internet and national long-distance services.
- Some non-telecom PSUs were served demand notices by the DoT for over Rs 3 lakh crore of combined license fee dues.
- They include Gail India, Power Grid Corp of India Ltd (PGCIL), Oil India and RailTel Corp.
- This was done following the Court's ruling in October 2020.

What is the present ruling?

- The court has been quite harsh on the government for having raised a demand for dues against non-telecom PSUs such as GAIL.
- The court viewed that as going beyond what it had mandated.
- It had also asked the DoT to clarify why it did so.
- The Court had also come down heavily on the DoT for allowing companies to re-assess what they owed the government.
- The Court also said that its October 2019 order on revenues for calculating dues was final.
- The two companies- Bharti Airtel and Vodafone Idea, sought some time to make the balance AGR payments.
- They agreed to have their licences cancelled in case they failed to meet the deadline.

- **Repayment schedule -** On the time required by the telcos, the Union government had decided on a 20-year repayment schedule.
- But the court has observed that nobody can predict the next 20 years.
- It thus said that the “gentleman’s promise” of 20 years cannot be a criterion for its judgment.
- This is naturally agreeable and thus the Court has asked the companies to file affidavits on timeframes.
- The court has also asked the companies to explain what security they will provide and what the road map for their payments will be.

What is the task ahead?

- At present, it is the Union government that is best-placed to judge the risk

and return in the national interest in this case.

- The only concern is that it has to be done in a transparent and uncontroversial manner.
- The DoT also has the task of ensuring stability in the telecom sector, and prevent it from becoming a monopoly.
- Besides the payment commitment, there must be a place for profit-making for the telcos if the sector is to survive.
- The Centre must also satisfy the court's demands for a timeline for repayments.
- If 20 years does not meet with the court's approval, it must find another timeframe that is both reasonable and acceptable.
- In all, the issue must be handled in a way that balances the interests of telcos, government and the consumers.

Source: Business Standard, Economic Times

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