Telecom Sector – IMG Recommendations

Why in news?

\n\n

Inter-Ministerial Group (IMG) constituted for resolving the crisis in the telecom industry recently published its report.

\n\n

What is the situation in the Telecom Sector?

\n\n

\n
- The industry has an outstanding loan of over Rs 4.6 lakh crore to various financial institutions.
\n
- It has also deferred payment liabilities of about Rs3.1 lakh crore to the government.
\n
- Also, as over Rs.9 lakh crore has been spent on capex, the industry needs around Rs 140,000 crore to merely survive.
\n

\n\n

What are the reasons?

\n\n

\n
- The reason for such high financial crisis in the sector is due to the exorbitant government levies.
\n
- The old system of high-taxation which was followed when spectrum was given for free is continued even today.
\n
- As a result, the share of revenue going to the government through licence/spectrum charges rose from 11% in FY07 to 32.4% in FY17.
\n
- Also, TRAI’s auctioning process that involved releasing only a small band of spectrum ensured that bids stayed exorbitantly high.

\n
- Also, the reserve prices which are fixed based on the previous auctions wasn’t sensitive to the existing market conditions.
\n
- This made it harder for the telcos as they had to pay huge sums for voice spectrums similar to 4G, although demand was not supportive.
\n

\n\n

What are the IMG recommendations?

\n\n

\n
- Reserve price of spectrum may be modified to make it more reasonable and in line with international best practices.
\n
- Automatic annual renewal of spectrum for existing telecos like in the US can be considered.
\n
- This will prevent sky rocketing of spectrum prices due to irrational annual competitive bidding.
\n
- Also, reducing the high annual license fee obligations needs to be considered.
\n
- Although IMG studied the sector and made some suggestions, it has largely left it for the awaited ‘New Telecom Policy’ for making structural changes in levies.
\n

\n\n

\n\n

Source: Financial Express

\n

SHANKAR IAS PARLIAMENT
Information is Empowering