The ailing telecom sector

What is the issue?

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- The telecom sector is facingchallenges with lowering revenues due to free voice calls and data offered by Reliance Jio.
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- This is complicated by the rigid regulations in the industry
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What is the present scenario?

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- The Industry has a debt burden of Rs 4 lakh crore.
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- Banks are increasingly getting insecure about their exposure to telecom companies.
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- Some foreign players have started to look for an exit from the sector. e.g Norway's Telenor group planning to exit by selling to Airtel.
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- Consolidation has started happening as smaller players find the going tough. e.g Vodafone-Idea merger
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What is the mandate of TRAI?

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- Telecom Regulatory authority of India was established on 1997 by an Act of Parliament to regulate telecom services, including fixation/revision of tariffs for telecom services which were earlier vested in the Central Government.
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- One of its main objectives is to provide a fair and transparent environment that promotes a level playing field and facilitates fair competition in the market.
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- TRAI regularly issues orders and directions on various subjects such as tariffs, interconnections, quality of service, Direct to (DTH) services and mobile number portability.
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- The TRAI Act was amended to establish a Telecommunications Dispute Settlement and Appellate Tribunal (TDSAT) to take over the adjudicatory and disputes functions from TRAI.
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- TDSAT was set up to adjudicate any dispute between a licensor and a licensee, between two or more service providers, between a service provider and a group of consumers, and to hear and dispose of appeals against any direction, decision or order of TRAI.
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What are the suggestions made by TRAI?

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- To restore the financial health of the sector, TRAI asks the government to relook at the various levies collected from the networks.
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- The first is to make the spectrum user charge uniform at 3% (of adjusted gross revenue) and then gradually reduce it to one per cent.
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- At the moment, the industry pays between 2% and 6%.
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- The licence fee should be lowered from 8% to 6%.
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- The contribution to the Universal Service Obligation Fund should be cut from 5% to 1%.
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- The fund is known to have collected over Rs 35,000 crore so far, which the government wants to use for Bharat Net - plan to link all village panchayats through fibre optic.
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- TRAI has also suggested that networks be allowed to pay for spectrum over 20 years instead of the current 10 years.
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What will be the outcomes of above suggestions?

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- There will be financial repercussions if the government agrees to these suggestions.
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- But, in the long run, these will ensure that the telecom sector stays robust.
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- The government’s push for digitisation depends critically on a viable telecom infrastructure.
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- As the usage of data picks up, the networks will need to spend more on spectrum and equipment, but if they run out of resources to do so, there will be pandemonium all over.
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Source: Business Standard

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