

It is worth examining if the govt. should only focus on squeezing the telecom sector, or it should also consider their ability to invest, which can have a multiplier effect in today's connected world. Analyse

Recently Supreme Court has upheld the DOT's definition of 'Adjusted Gross Revenue (AGR)'. It is a big blow to the telecom sector which had already affected on account of high debt and now it includes penalties and interest on penalties of AGR

Crisis in Telecom Sector

- Growing loss due to lower tariff & high cost
- High cost: Banks lent around 7 lakh crores
- High Spectrum cost
- Low revenue: Average revenue per user (ARPU) in India is \$1.6 per user compared to
 - \$36 (US)
 - \$30 (Europe)
 - \$6.5 (China)
- Additional burden of AGR

What is AGR: "Revenue earned by telecom companies through core & non-core activities"

- National Telecom Policy (1999) defined the revenue share model and it includes 'licence fee' and 'Spectrum usage charge (SUC) =>

$$\boxed{AGR = \text{licence fee} + \text{SUC}}$$

Implications of Supreme Court Decision

- i) On lenders: Banks have lent around 7 lakh crores and facing the threat of Non-Performing Assets (NPAs)

ii) On Telecom Companies

- Additional burden of paying 1.4 lakh crore to govt.
- AGR cost include non-core activities which was not the case earlier
- It impacts only old players & new players are at advantage. It may lead to monopoly of the sector
- Staring at job losses on account of cost cutting

iii) On Consumers:

- Telecom companies may put all their burdens on the consumer by increasing the tariff rates

iv) On Govt: while the outstanding revenue is seen as addition to public exchequer, it will impact in the direct tax revenue in the long run.

v) On Others: As a fast growing digital economy, India's digital value chain is closely linked with connectivity and it will have huge impact

What can be done?

- Govt. can give relief in AGR Payment timing
- Reduction of overall licence fee + Spectrum charge
- Declare 'floor-price' for tariff which is sustainably low
- Relaxation in penalties & interest of penalties
- Govt. to invest in telecom sector to boost for digital India

India is aiming at \$5 trillion economy by 2024. Government knows it is possible only by being the leader of upcoming technologies such as AI, Big data etc and leverage it for the use of Indian economy. India must carefully invest in future.