

# Problems in telecom sector

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**Source:** *The Hindu*

**Manifest pedagogy:** Telecom sector is facing various headwinds and a crisis of existence with mounting losses, AGR dues, spectrum charges, advent of 5g and a host of other issues. The space is keenly watched both by government and banks in terms of possible relief measures and a possible NPA problem hitting banks. Telecom sector issues will be important for important terms in prelims and mains for UPSC.

**In news:** The committee of secretaries (CoS) is mulling setting a minimum price for mobile calls and data in order to revive telecom sector.

**Placing it in syllabus:** Telecom sector (explicitly mentioned)

## **Static dimensions:**

- Spectrum scam
- Merger and acquisition in telecom

## **Current dimensions:**

- Adjusted Gross Revenue (AGR) dues
- Minimum pricing
- Delayed spectrum fee
- 5G spectrum

## **Content:**

### **Spectrum scam:**

- In November 2010, the Comptroller and Auditor General of India (CAG), in its report on 2G, revealed that licenses had been issued to telecom operators at throwaway prices causing a loss of Rs 1.76 lakh crore to the exchequer.
- Licenses had been issued to ineligible applicants

**through fraudulent means.**

- The licenses owners had in turn **sold significant stakes to the Indian/foreign companies** at high premium within a short period of time.
- The **telecom ministry under A Raja changed rules and eligibility criteria** several times in the run-up to auction to benefit a few and selective telecom players only.
- The ministry issued licenses on a **distorted First Come First Served (FCFS) Policy at 2001 prices** instead of 2008 prices.
- CBI filed charge sheet in 2011.
- The **main accused** were A.Raja, DMK Supremo K Karunanidhi's daughter Kanimozhi l, Unitech chief Sanjay Chandra and DB Realty founder Vinod Goenka and three senior executives of Anil Ambani controlled DAG, Former telecom secretary Sidharth Behura and Raja's Personal Secretary RK Chandolia.
- Second charge sheet was filed in April, 2011.
- **In November, 2011, the trial for 2G scam began.**
- In December, 2011, CBI filed third charge sheet.
- **In February, 2012, SC cancelled 122 licences granted during Raja's tenure** and directed auctioning of licences in 4 months.
- In June, 2015, ED submitted that Kalaignar TV got Rs. 200 crores through 2G scam.
- **In April, 2017, Special court concluded arguments.**
- On **21 December 2017, a Special CBI Court acquitted all the persons accused** in the case due to lack of evidence.

### **Merger and acquisition in telecom:**

- The current mergers in Indian Telecom Sector got the momentum with "Digital India" project.
- In the 2G Scam case, various telecom operators closed down the operations.
- The first news of consolidation was seen in **September,**

**2016 when Reliance Communications Ltd (RCom), and Airtel Ltd, announced that they would merge their mobile network operations.**

- In the month of **November, 2016 RCom announced its merger with Sistema's Indian operation "MTS"** under which the Russian Company will hold a 10% stake in RCom.
- Following this, **Idea-Vodafone merger announcement, BhartiAirtel agreed to buy Tikona Digital Networks Pvt. Ltd's**, 4G business, including broadband wireless access spectrum and 350 mobile towers in 05 telecom circles.

### **Benefits:**

- Consolidation would restore some pricing power and give better negotiation with vendors/ suppliers.
- It potentially leads to lower network operational expenditure and improved margins, in addition to faster rollout of coverage potential.
- It is good for the industry, for employees' stable jobs and competitive remuneration, stable long-term realizations and significant improvement in capital formation.
- Subscribers can hope to benefit from service providers that are on a stronger footing to invest in network expansion and quality of service.

However, the wave of merger & acquisition in the telecom sector could be negative for O&M Vendor/tower companies as merged entities will cut down on overall cell sites.

### **AGR dues:**

- The **Supreme Court has instructed telecom companies to deposit the dues** sought by the government in **three months**.
- **Vodafone Idea and Bharti Airtel, the two telcos are affected most** by the SC order with pending licence fee and spectrum usage charge (SUC) dues of Rs 39,000 crore

and over Rs 41,000 crore, respectively.

- **Tata Teleservices**, faces dues worth nearly Rs 13,000 crore.
- The **demand notices to telecom companies** for additional licence fees and spectrum usage dues **has been issued by the government**.
- The DoT has given option to telecom operators to clear all the **dues on self-assessment basis**.
- The government is working out a broader **relief package for the industry** with **options being considered** include reducing the interest and penalty, besides long-term measures like lowering licence fees and spectrum usage charge, and fixing a floor for tariffs.
- Vodafone Idea has said that it would seek reprieve from the DoT, including waiver of interest and penalty.
- **The SC has ruled that AGR for telcos should include all revenue accrued to the carriers, including from non-core activities**.
- The order has paved the way for the DoT to seek more than Rs 1.3 lakh crore in dues, penalty and interest from the sector.

### **Minimum pricing:**

- To promote the dormant telecom sector, the **Committee of Secretaries** (CoS) is planning to set up **minimum price for mobile calls and data**.
- The **committee has sought recommendations from** DoT on setting a minimum charge for all tariffs for telecom players, while also assessing the impact it will have on telecom operators.
- This move will be **beneficial for incumbents like Vodafone Idea and Bharti Airtel** who have reported a huge loss after the SC asked telecom companies to pay AGR dues.
- **DoT will seek to assess multiple points**, including the minimum charge that should be set, the rationale and the

financial benefit it will have on telecom operators.

### **Delayed spectrum fee:**

- The **Centre has deferred spectrum auction payments** due from the operators for the **years 2020-2021 and 2021-22.**
- These deferred amounts will be spread over the remaining **installments** to be paid by the telecom operators without any increase in the existing time period specified for making the instalment payments.
- A telecom operator, opting for a two-year deferment will have to **provide a guarantee of the revised annual installment payable for 2022-23.**
- The move to defer payments for 2020-22 will give Rs **42,000 crore relief to Bharti Airtel, Vodafone Idea and Reliance Jio.**

### **5G spectrum:**

- 5G is the **fifth generation of cellular network technology.**
- It is expected to support significantly **faster mobile broadband speeds and lower latencies** and also **enabling the full potential of the Internet of Things (IoT)** which will transform sectors such as agriculture, manufacturing, healthcare, and education.
- From autonomous vehicles to smart cities 5G will be at the **heart of the future of communications.**
- 5G introduces a **new level of flexibility and agility** so the **network can deliver customisable services** to meet the needs of a huge variety of users.
- The **speed, reach and quality of 5G services depends on governments and regulators** supporting timely access to the right amount and type of affordable spectrum, and under the right conditions.
- Union telecom minister Ravi Shankar Prasad has recently said the **5G spectrum auction will be conducted this year-end or early next year.**

- Under the scheme, the government plans to auction around **8,293.95 MHz of airwaves at an estimated total base price of Rs 5.86 lakh crore.**
- The DoT has suggested a base price for 5G airwaves at Rs 492 crore per MHz and proposed a sale of a minimum 20 MHz blocks.