



Challenges in Telecom Sector

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The Government of India recently constituted a **Committee of Secretaries (CoS)**, headed by the **Cabinet Secretary Rajiv Gauba**, to look for a **relief package** for the distressed telecom sector.

- The panel will comprise of **secretaries** to the **Ministries of Finance, Law, and Telecommunication**.
- The move comes in the backdrop of a recent **Supreme Court (SC) order** and is expected to **mitigate** the impact of the more than **₹1.4 lakh crore** that the telecom companies need to pay to the exchequer.
 - Recently, the SC of India upheld the government's position on including revenue from non-telecommunication businesses in calculating the annual **Adjusted Gross Revenue (AGR)** of telecom companies, that was opposed by the telecom operators.
 - The judgment is expected to aggravate the financial stress of these telecom service providers (TSPs).
- The telecom sector faces several challenges; hence for the **larger public interest and improved telecom services** for the subscribers, the panel was needed.

Underlying Issues

- The industry's debt currently stands at about **₹4 lakh crore**.
- Due to intense competition from free voice and cheap data, the **gross revenue** of the telecom industry had fallen between 2017-18 and 2018-19.
 - Currently, the **price of data** for the customer at an average of **₹8 per GB** is almost the **lowest in the world**.
 - Also, the **average revenue per user per month** has **declined** from ₹174 in 2014-15 to ₹113 in 2018-19.
- The other challenges include- **lack of fixed-line penetration, high right-of-way costs, current tariff system, deployment of 5G**, etc.

Demands By the Sector

- Reduction in **spectrum usage charges** and the **Universal Service Obligation Fund levy**.
- Deferment of **Spectrum Auction Payment** that is due for the next two years, i.e., 2020-21 and 2021-22, so as to **ease the cash flows** in the industry.
- **Viable pricing** for voice and data, which falls in the realm of **Telecom Regulatory Authority of India (TRAI)**.
 - Telecoms demand that TRAI must **prescribe a minimum charge** for voice and data services in order to ensure the long-term viability and robust financial health of the sector.
- The TSPs also claim that a large amount of **input tax credit** is available to their credit in government accounts. They request that it must be adjusted against future government levies so that their distress could be eased for now.

Adjusted Gross Revenue (AGR)

- It is the **usage and licensing fee** that telecom operators are charged by the **Department of Telecommunications (DoT)**.
- It is divided into **spectrum usage charges and licensing fees** that are fixed between 3-5% and 8% respectively.

Spectrum Usage Charge

- It is the charge that is required to be paid by the licensees providing mobile access services, as a percentage of their Adjusted Gross Revenue (AGR).
- The **spectrum slabs/rates** for the same are notified by the Government from time to time.

Universal Service Obligation Fund (USOF)

- USOF ensures that there is universal **non-discriminatory access to quality ICT services** at economically efficient prices to people in rural and remote areas.
 - Currently, it is charged at the rate of 5%, while the TSPs demand it to be reduced to 3%.
- It was created under the Department of Telecommunications in **2002**.
- It is a **non-lapsable fund**, i.e., the unspent amount under a targeted financial year does not lapse and is accrued for next years' spending.
- All credits to this fund require **parliamentary approval** and it has a **statutory support** under **Indian Telegraph (Amendment) Act, 2003**.

Way Forward

- To enhance the growth of the telecom sector, improve the quality of service, and generate resources for the TSPs, a **new infrastructural policy** is the need of the hour.
- The government needs to provide an enabling environment for telecom operators. In order to achieve that, a **long-term vision plan** must be made accordingly.
- **Enhanced accessibility of the broadband services** will enable the digital empowerment of India, hence adequate steps must be taken by the government to strengthen the overall telecom sector.

Source: TH