

Reforms in Telecom: A New Era for India's Digital Ambitions

The approval of a relief package including a four-year moratorium on airwaves payment for the cash trapped telecoms industry is a sign of relief and a beginning of a new era for the sector. The other measures introduced include- free sharing of spectrum between carriers, relinquishing usage charges for airwaves acquired through future auctions, increase in tenure of the spectrum from 20 to 30 years, reduction in BG requirements against licence fee and other similar levies, 100 per cent foreign direct investment under automatic route which at present is 49 per cent and anything thereafter had to essentially go through the government route.

The historical move is the change in the contentious definition of (AGR) adjusted gross revenue to count only the telecoms revenue. Till now, non-telecoms revenue was also a part of AGR. The government, at last, won the lengthy legal battle in Supreme Court. In 2019, Supreme Court broadened the definition of AGR to include non-telecoms revenue. The decision led to the debt of dollar 13 billion onto the telecom service providers. Thereafter, the decision was challenged many times but yield no results.

Telecom companies such as Bharti Airtel and Vodafone Idea are the worst-hit companies under extreme financial distress due to increasing debts. Along with Tata Teleservices, these two companies was supposed to clear their debts by March 31st 2031 in 10 instalments. The major portion of Vodafone Ideas debts is due to AGR and spectrum obligations. As of March 31, 2021, VI is roughly under a debt of rupees 1.8 lakh crores - AGR dues- 60,000 crores, Bank debts of rupees 23,080 crore and rupees 96270 crores worth the effort spectrum obligation. Kumar Mangalam Birla who holds a stake of 27 per cent in VIL, in talks with the government, has clearly stated that in absence of clarity on AGR liability, floor pricing regime and an adequate moratorium on spectrum payment, investors are not willing to invest in the company. The company even suggested handing over its stake to any suitable entity or to the government to keep the company operational.

The vision of the government behind such measures is to hike 4G escalation and infuse liquidity with creating and enabling an environment for investment in 5G networks. The reforms indicate the government's commitment to address the long-standing issues of the telecom industry to ensure its healthy growth. Such decisions will surely exhilarate India's digital journey. The bold initiative by the government is being appreciated

by the industry tycoons who view the announcement as the beginning of a New Era for India's digital ambitions.

All the reforms will be applicable going forward and the deferred payment cycle will begin from October 1. However, on spectrum usage charges, the monthly compounding interest will be replaced by annual compounding resulting in lower interest rate based on the formula MCLR +2 per cent. Another highly appreciable reform is the provision to allow telecom companies to surrender the unused spectrum on the payment of small penalties. As per the current regulations, telecom is only permitted to share airwaves or trade. The telecom companies, however, will not object to the penalty, as they incur heavy losses in case of instalment payments for the unused spectrum.



(Prof Mahima Birla)

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