

## 5. 20-Year Window for Telcos to clear Dues

**Prelims Syllabus:** Governance

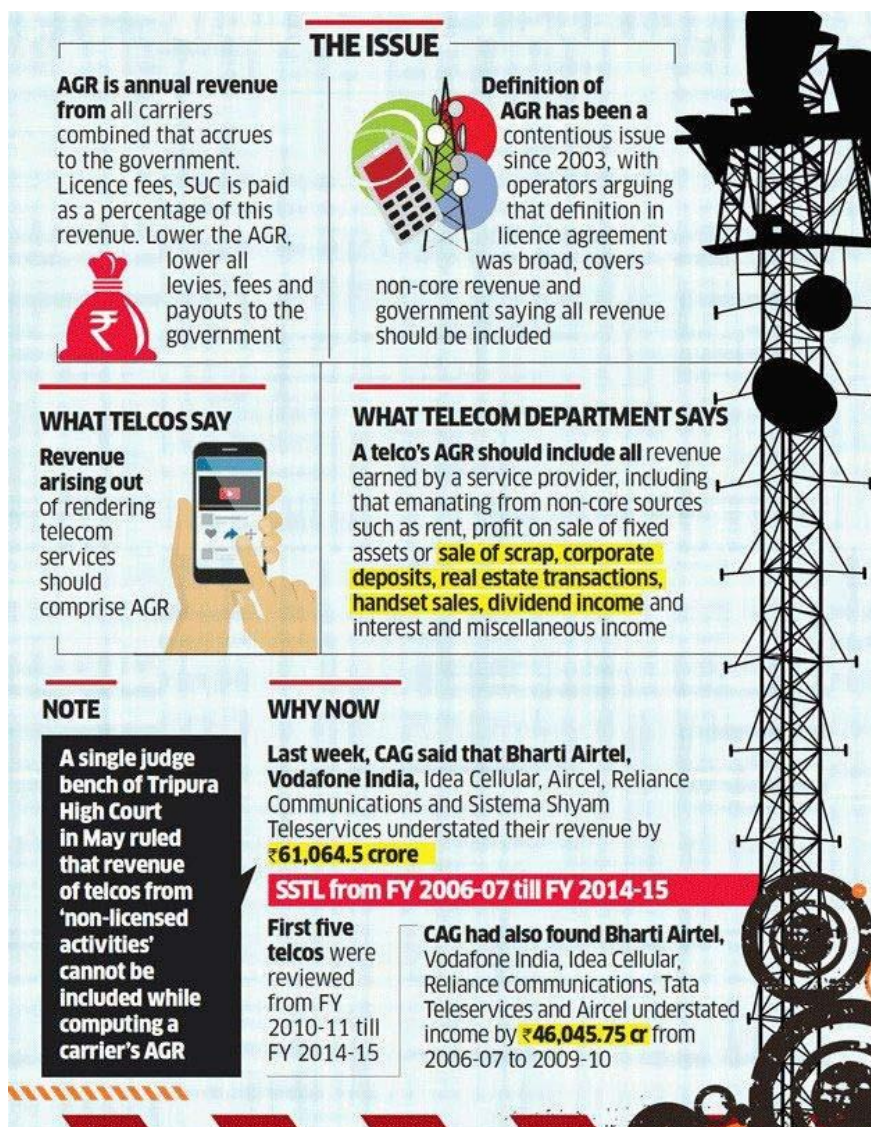
**Mains Syllabus:** GS-II Issues relating to development and management of Social Sector or Services relating to Health, Education, Human Resources.

### Why in News?

- The Central government has urged the Supreme Court to give the telecom companies a 20-year window to pay the remaining amount of Adjusted Gross Revenue.

### Highlights:

- In a long standing case related to the definition of Adjusted Gross Revenue (AGR) between Government and the Telecom companies, the 16 major telecom service providers were asked by the SC to pay a total due amounting 1,69,048.65 crores to the Government.



**THE ISSUE**

**AGR is annual revenue from** all carriers combined that accrues to the government. Licence fees, SUC is paid as a percentage of this revenue. Lower the AGR, lower all levies, fees and payouts to the government

**Definition of AGR has been a** contentious issue since 2003, with operators arguing that definition in licence agreement was broad, covers non-core revenue and government saying all revenue should be included

**WHAT TELCOS SAY**  
Revenue arising out of rendering telecom services should comprise AGR

**WHAT TELECOM DEPARTMENT SAYS**  
A telco's AGR should include all revenue earned by a service provider, including that emanating from non-core sources such as rent, profit on sale of fixed assets or sale of scrap, corporate deposits, real estate transactions, handset sales, dividend income and interest and miscellaneous income

**NOTE**  
A single judge bench of Tripura High Court in May ruled that revenue of telcos from 'non-licensed activities' cannot be included while computing a carrier's AGR

**WHY NOW**  
Last week, CAG said that Bharti Airtel, Vodafone India, Idea Cellular, Aircel, Reliance Communications and Sistema Shyam Teleservices understated their revenue by ₹61,064.5 crore

**SSTL from FY 2006-07 till FY 2014-15**  
First five telcos were reviewed from FY 2010-11 till FY 2014-15

CAG had also found Bharti Airtel, Vodafone India, Idea Cellular, Reliance Communications, Tata Teleservices and Aircel understated income by ₹46,045.75 cr from 2006-07 to 2009-10

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- The payment received till March 6, 2020, from these companies was ₹25,901.56 crores and dues to the tune of ₹1,43,271.74 crore remain outstanding.
  - All the licensees are allowed to pay the unpaid or remaining amount of past dues in annual instalments over 20 years (or less if they so opt), duly protecting the net present value of the said dues using a discount rate of 8% (based on one-year marginal cost of lending rate of SBI which is currently 7.75%).
  - The “formula” has been devised to soften the blow of the October 24, 2019 judgment directing the companies pay the AGR in three months.

**Rationale:**

- The move takes into consideration the larger interest, economic consequences on the nation and with a view to ensure that the Supreme Court order is complied with in letter and spirit.
- The vital issues related to the financial health and viability of the telecom sector and need for maintaining competition and level playing field in the interest of consumers were considered.
- The closure of one or more Telecom Service providers would adversely impact the digital connectivity of the country driving e-governance projects in commerce, banking and health.
- It would also dent the spread of digitization in Rural India.