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The Big Picture — Telecom Sector: Challenges & Way Forward

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Recently, the Supreme Court allowed the Centre's plea to recover **Adjusted Gross Revenue (AGR)** of about Rs 92,000 crores from the telecom service providers.

- A **three-judge bench**, headed by **Justice Arun Mishra**, upheld the definition of AGR formulated by the **Department of Telecommunications**.
- The bench made it clear that there would be no further litigation on the issue and it would fix a time frame for calculation and payment of dues by the telecom companies.
- In July, the Centre had told the apex court that leading private telecom firms like **Bharti Airtel, Vodafone** and state-owned **MTNL** and **BSNL** have **pending licence fee outstanding of over Rs 92,000 crores till date**.

- **Cellular Operators Association of India (COAI)** has expressed concerns on the financial setback to the already indebted telecom industry.

Cellular Operators Association of India

- It was constituted in **1995** as a **registered, non-governmental society**.
- It is dedicated to the **advancement of modern communication** through the establishment of world-class mobile infrastructure, products and services and to **deliver the benefits of innovative and affordable mobile communication services to the people of India**.
- **Bharti Airtel Ltd., Vodafone India Ltd., Reliance Jio Infocomm Ltd.** are few of the core members.

Highlights

- The data prices were very high few years back. **Huge cost cutting on data and roaming charges** was done to bring down data prices significantly.
- Now tariffs in India are **one of the lowest in the world**, especially data prices. Calls are virtually free.
- India's number in **teledensity was small** when the industry was running on the **acquisition mode** but currently **almost 88% of Indian population is on network**.
- Globally, **Average Revenue Per User (ARPU)** fluctuates around **8-9 US dollars** whereas in **India** it is around **1.2 US dollars**.
- Recently, **Jio has stopped investing in capital expenditure (CapEx)** but India still **needs** investment of at least Rs 7 lakh crores more for better 4G accessibility.
- The current situation proves that **private sector is not any better than government sector** in providing services.

Although **Government service providers (BSNL, MTNL)** and **private service providers (JIO, Vodafone-Idea, Bharati)** have equal amounts of assets, loans and equities of the latter are much higher than those of the former.

Capital Expenditures (CapEx) are funds used by a company to acquire, upgrade, and maintain physical assets such as property, buildings, an industrial plant, technology, or equipment.

Challenges

- **Unfair Competition:** To attract more consumers the telecom companies have been offering **lower tariffs**, in competition with each other, which **do not generate much revenue**. This might lead to **either no competition situation or monopoly by a single company**.
- **Infrastructure:** Telecom sector has to **get 5G spectrum, invest in infrastructure, expansion, technology upgradation** etc so this **additional burden** is a major setback for the industry.

- **Current System of Tariffs:** Major telecom operators are reporting losses and financial stress. This shows that the current tariff system is not financially viable for telecoms.

Solutions

- **Telecom Industry:**
 - The telecom industry has to keep the **tariff rates sustainably high** instead of trying to make them the cheapest in the world.
 - **Fair Competition:** It should be ensured that there is **no cartelisation and no undercutting**. **Fair competition** among the companies should be encouraged.
 - **Outcome oriented Investment:** All the money which comes in after the government order should be **invested in the telecom sector only** so that **consumers do not need to pay more** and the **revenues will be stabilized**.
 - **Technology:** India should **invest in technology rather than products**:
 - India is **importing \$40 billion worth of telecom products** mainly mobile phones every year which is **not a feasible** option for the future because of very **limited foreign exchange**.
 - **Buying technology will cost more once but will save foreign exchange** over the time.
 - Telecom industry has to bring a **shift from service oriented investment policies to manufacturing oriented policies**.
 - Telecom sector needs to do **value addition** by tying up **with the service providers from education, medicine and entertainment sectors** apart from increasing the tariff charges.
- **Government:**
 - **Practical Deadlines:** The deadlines should consider current challenges faced by the telecom industry.
 - In order to **revive BSNL and MTNL**, government has decided to **merge** them and then **provide funds to the merged entity**. Same approach should be applied to other private service providers also.
 - The **interest collection by government** should be done over a longer period of time giving ample time to the telecom industry to come over the financial stress.
 - The government can **do away with the penalty** and the **interest** or it can **reduce** them as well.
 - Government should put the penalty and interest money into **capital investment for the telecom industry**, to provide **availability to equipments and technologies on an equal access basis**.
 - Government should **look for more avenues of revenue generation** and should be **equally responsible towards making this whole sector viable**.
 - Government should **incorporate Make in India in the telecom industry to boost the manufacturing**.

- **Consumers:**
 - The problem in the telecom sector is an evolving problem which needs evolving solutions depending upon the **availability of the consumers** and **their ability to pay**.
 - The **free data** should be cut down to some limit.
 - The segment of consumers which is **willing to pay** should be charged **for the benefits as per their specific needs**.
 - **Slabs and priorities for different segments of consumers** should be set with **customer centric and need specific plans and personalisation facility**.
- **What can be learnt from foreign models?**
 - Data has been very **rationally planned** in the **international market** and there are various plans suitable for various and specific needs of the people.
 - Telecom sector is **tied up with various other commodities like the handset company apart from the operators only**.
 - **Moving Wi-Fi zones or public Wi-Fi zones** in India should not be completely **free of cost** instead India can learn from the **Emirates, Singapore** which **charges its customers for data after exhausting the limits set by the airlines**.

Way Forward

- Telecom sector has lot of segments in itself which **create avenues, bring technologies, innovations and employment raising India to the global level**.
- To make this **industry sustainable** and to **stop the unfair trade practices and blind competitions**, industry itself, consumers and government will have to share the burden together.
- The sector has to look for a **holistic approach with convergence to bring the convenience to the customer**.
- It is a very **strong component** in our growing economy and **deeply rooted into the system with various allied sectors**. New and better ways should be found out for **asset optimisation and revenue generation**.