

## **Supreme Court Order on AGR**

### **Why in News?**

The Supreme Court (SC) came down heavily on the Department of Telecommunications (DoT) for issuing a notification regarding AGR.

### **What is AGR?**

- The Telecom operators are required to pay licence fee and spectrum charges in the form of 'revenue share' to the government.
- The revenue amount used to calculate this revenue share is termed as adjusted gross revenue (AGR).

### **What is the story behind?**

- DoT notified that no coercive action should be taken against telecom companies, even though they had not paid the AGR dues by the stipulated deadline of January 23, 2020.
- A three-judge SC Bench initiated contempt proceedings against the telecom companies for not paying the AGR dues.
- The court also asked DoT to immediately withdraw this notification.

### **What is the background of SC order?**

- In October, 2019, the court had said the companies must pay all dues along with interest and penalty.
- Some telcos had tried to persuade DoT to relax the deadline. After failed to do so, they moved the court seeking a review of its judgment.
- The court dismissed the review petition in January 2020, and did not extend the deadline for paying AGR dues.

### **What does SC order on AGR mean?**

- The SC order means that the telcos will have to immediately clear the pending AGR dues, which amount to nearly Rs 1.47 lakh crore.
- Some telcos face the prospect of shutting down business due to the trouble they undergo for not paying the AGR dues on time.
- Other than the telcos, non-telecom companies could also be facing huge

payouts individually, which amount to total of Rs 3 lakh crore.

### **What exactly did the government notification say?**

- The Licensing Finance Policy Wing of DoT directed all government departments to not take any action against telecom operators if they failed to clear AGR-related dues as per the SC's order.
- The order came as a huge relief for operators that would have otherwise faced possible contempt action for not paying dues by the deadline that ran out on that same day of SC's order.
- There was no change in the amount they had to pay, but it did buy them time as they hoped for relief from the SC.
- The SC was to hear their plea seeking permission to negotiate the timeline for payment of dues with the DoT.
- Prior to the DoT order, the companies had told the government that they would wait for the outcome of the SC hearing, which however gave no relief to the companies.

### **Where does the government stand in this situation?**

- The payout by telecom and non-telecom companies is likely to lead to windfall gains for the central government.
- This payout could help the government to close some of the fiscal deficit gap for the current financial.
- At the same time, however, the government will be under pressure to ensure that the telecom market does not turn into a duopoly.
- It will also have to manage the payouts to be done by **non-telecom companies** as most of them, such as Oil India, Power Grid, Gail, and Delhi Metro Rail Corporation are public sector units.

### **What does this situation mean for customers and lenders?**

- **Customers** - If Vodafone Idea exits, an Airtel-Jio duopoly may be created which could lead to bigger bills.
- It was the cutthroat competition of the sector, which made mobile telephony and Internet almost universally affordable.
- **Lenders** - The AGR issue has triggered panic in the banking industry, given that the telecom sector is highly leveraged.

**Source: The Indian Express**



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