

In a move that will bring some respite to the stressed telecom sector, the Union Cabinet has approved several relief measures for debt-laden operators. It has eased the spectrum holding limit from 25 per cent to 35 per cent in a service area or circle. This will pave way for significant consolidation activity in the sector. Further, as a one-time measure, the Cabinet has extended the payments tenure for auctioned airwaves from 12 years (including a two-year moratorium) to 16 years. The restructuring of the deferred payment liability will improve operator cash flows in the short term.

Ease in spectrum holdings will benefit the Vodafone-Idea merged entity as well as Airtel, which is merging wireless operations of Tata Teleservices, Telenor and Tikona with itself, as the companies would not need to sell or surrender spectrum in several circles. Jio can also now explore a deal to buy more airwaves from Reliance Communications (RCOM), especially in the 850 MHz band.

As per the government, revising the limit for the spectrum cap holding will facilitate consolidation of telecom licenses and may encourage the participation in future auctions. The changed limits may be revisited after Final Acts of World Radiocommunication Conference (WRC) 2019.

The relief package comes at a time when the operators are reeling under a cumulative debt of over Rs 7 trillion.

However, the industry experts believe that the government could have given more relief, particularly in areas such as license fee, revenue share and goods and service tax (GST). “We are grateful to the government for the benefits extended by way of deferred payments and enhanced spectrum caps. The new spectrum caps will facilitate consolidation in the industry- Jio and RCOM and Idea & Vodafone. The debt payment extension will have only a minimal benefit through cash flow relief but total payments will increase. The systemic issues of the industry still remain unaddressed like excessive taxes and levies of 30 per cent or more. We hope the government will accelerate these relief measures so that the industry can continue meeting the goals of the Digital India Vision.,” said Rajan Mathews, director general of Cellular Operators Association of India (COAI).

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