

## **Spectrum fee set to be based just on mobile service revenue**

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NEW DELHI: In a move that will benefit all mobile operators, the government will soon announce that only revenues from mobile services will be subject to spectrum charges, said a department of telecom (DoT) official, requesting anonymity.

All telcos pay 2-6% of their total annual revenues towards spectrum usage charges depending on the area of operation. Spectrum, or radio frequencies, refers to the airwaves on which all communication signals travel and is currently allocated to telcos based on their subscriber figures.

Currently, all revenues, including those from fixed deposits, interest on savings, land rentals, lease of equipment, sharing of towers, foreign exchange gains, dividend and capital gains among others, are taken into consideration when total revenues are calculated.

The only exemption is revenues from fixed-line operations. But the change in norms will imply that telcos no longer will have to share up to 6% of their annual revenues from non-mobile related services towards spectrum charges. Executives with telcos said this will lead to about 15% savings on the spectrum levy they pay currently.

According to telecom regulator Trai's estimates, the government will rake in over Rs 4,000 crore as spectrum charges this fiscal. A 15% savings implies the industry will save over Rs 600 crore annually after the norms are implemented. These estimates also say India's largest telco, Bharti Airtel, will contribute about a third of this Rs 4,000-crore spectrum fee. This means, the savings for Bharti alone could be just under Rs 200 crore in the current fiscal.

However, there will be no loss to the government in actual terms on account of limiting spectrum charges to only revenues limited to mobile services. This is because, with India adding over 140 million mobile customers annually, spectrum usage charges paid by the telecom sectors witness a 15-20% increase very year. With the government's spectrum usage charge kitty increasing every year, the savings for telcos will also rise year-on-year.

The DoT, in an internal note (a copy of which is available with ET), has said the changes to existing regulations were justified because revenues from non-mobile related activities are 'earned without using wireless spectrum'. The note also adds that the government must include safe-guard clauses while changing the current norms so that telcos do not claim this relief retrospectively. This comes after a section of the DoT had also warned that if telcos were to claim this relief retrospectively (from 2003 onwards), it would result in considerable losses to the exchequer.

At the same time, the DoT is also concerned that any changes in the methodology to calculate spectrum charges will result in operators demanding similar relief in license fee

structure too. All telcos pay 6-10% of their annual revenues towards licence fee depending on the area of operations.

For instance, in the metro city of Delhi, the licence fee is 10% of the telco's annual revenues, while in state like Bihar it is only at 6%. All states in the country are classified into three categories based on their revenue earning potential.

In August 2007, the country's telecom tribunal, TDSAT, had ruled that income from dividend and interest on savings, capital gains and benefits from foreign exchange be exempted when telcos' revenues are considered for calculating licence fee. But these benefits were never extended to operators since the DoT appealed the TDSAT ruling in the Supreme Court and managed to obtain a stay order.

The country's highest court is yet to pass its judgment on this issue. The DoT note also adds that steps should be taken to ensure that concessions on spectrum fee calculations do not hurt the government's changes when the licence fee issue comes up in the Supreme Court.

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