



Press Release

## ***Industry confused by DoT's Fuzzy Math***



New Delhi, March 31, 2015

COAI, the leading Mobile Communications Association representing seven of the largest mobile service operators and the majority of telecom equipment manufacturers, stated that while the industry is solidly behind the government's ambitious vision of Broadband for All, Smart cities, rural penetration, E-governance, etc., and is eager to make this happen; it cannot be achieved by starving the industry of the needed resources to invest in these objectives.

In reference to the results of the latest spectrum auction, COAI stated that the industry would be happy to review and understand the numbers presented by the Government on the increased financial burden on the industry due to the auction's pay-outs and the consequent tariff hike, as has been explained by the Minister for Communications & IT Shri Ravi Shankar Prasad and the DoT Secretary Shri Rakesh Garg. As per media reports, Shri Ravi Shankar Prasad has stated that the industry indicated rise in tariffs is a *"misplaced notion"* and that *"a simple back-of-the-hand calculation based on the telecom regulator's data shows that if at all required, tariffs will not increase beyond 1.3 paise per minute"*. The Minister's views were seconded by Shri Rakesh Garg, who stated, *"this spectrum has been given for 20 years and if you give it for 20 years per annum expenditure is hardly Rs 5300 crore and the turnover of this industry at the moment at the present rate is approximately Rs 2 lakh crore. If you divided with the number of minutes which are being used that moment the whole amount of Rs 5300 crore it comes approximately 1.3 paise per minute which is hardly any amount."*

While the industry would be happy to review this calculation by the DoT, the industry's analysis of the financial implications of the auction indicates an increase of more than 12-15% on the present tariffs, to make up for the cash outflows of the operators.

Further, the DoT does not seem to have factored in inflation, which is inevitable over a long period of 20 years as indicated by the Government. At the current average annual inflation rate of 6-7%, it seems to be a considerably hefty sum, further hiking up the tariffs significantly.

The Indian mobile telephony industry, in terms of costs, has been investing in spectrum prices which are above the international average (operators in India pay nearly 60-70 times the cost of spectrum in other countries). The Government also seems to have missed out on the element of interest on the debt that needs to be raised to meet the current spectrum requirements of the industry and spectrum purchases to be made in the future, which would be imperative to enable the Government's ambitious plans of providing broadband services across India at a minimum speed of 2 mbps. For network development and expansion too, the industry is faced with the issue of paying global prices for equipment. The industry already incurs an expenditure of almost \$7-8 billion per annum on purchase of equipment, which is expected to increase further as a result of the revised license conditions to roll-out networks to the block level and gram panchayat level in the rural areas. Further, the Indian telecom operators are also required to pay almost 13-14% of their revenues in the form of License Fee and Spectrum Usage Charge

(SUC). While the costs of the industry are massive, when it comes to earning revenues, the average ARPU of Indian Telecom Service Providers (TSPs) is merely \$2.96, compared to an international average of \$35-40.

Therefore, it is confusing for the industry, that after taking all the factors such as inflation, high spectrum costs, high cost for equipment and substantial regulatory costs, combined with low returns; how a hike of 1.30 paise/minute in tariffs would address the industry's financial woes, and how it will be a sustainable solution for the industry. While we wait for the answers from the government, we maintain that owing to the increased financial burden, the industry's cost structure will change drastically and the operators will not be left with much choice but to increase the tariffs so as to meet the financial commitments to the government.

#### **About COAI**

COAI was constituted in 1995 as a registered, non-governmental society. COAI's vision is to establish India as the global leader of innovative mobile communications infrastructure, products and services and achieving a national teledensity of 100%, including broadband. The association is also dedicated to the advancement of modern communication and towards delivering the benefits of innovative and affordable mobile communication services to the people of India.

[www.coai.in](http://www.coai.in)

---

For further information please contact:

**V K Cherian: +91-9873909226 / Kaustuv Sircar: +91-9999610522**