



COAI submits pre-budget recommendations to Ministry of Finance

24th January 2013, New Delhi: The Cellular Operators Association of India (COAI) along with AUSPI has submitted the telecom industry's pre-budget recommendations to the Finance Ministry, Government of India. The key recommendations included the long awaited infrastructure status to be provided to the sector; along with a revision of the high levies and taxes on the industry which amount to more than 30% of the revenues. The precarious financial state of the industry and the critical investment environment restricting its revival have also been sought to be addressed by the Government.

The Telecom sector essentially providing **Public Telecommunication Services** should be viewed as a **critical infrastructure** industry in order to maximize the GDP growth of the country. At present 'Telecom' does not fall within the purview of the definition of Infrastructure projects. In fact, the Hon'ble Minister for Communications & IT, Shri Kapil Sibal, himself has recently urged the Finance Ministry to provide the telecom sector with the same concessions as offered to other infrastructure sectors in the country.

Lowering of levies and tax breaks for the sector is a critical tool which will empower the Industry to improve Tele-density and expand services throughout the nation, especially when the sector needs support in the financial domains including tax rates as the launch of 3G & 4G services as well as renewal of 2G spectrum will result in heavy outflows.

It is pertinent to mention that the multiple taxes and levies on the industry account for as high as approximately 30% of telecom service revenues as compared to just 5% for other Asian economies. With lowest tariffs and ARPU's, ironically accompanied by high level of levies leading to lower funds for reinvestment/expansion of service, the return on capital in the country is very low at 7.8% when compared to that of 22.8% in China. Such negligible growth in revenues and the inadequate funding available to the sector makes it extremely difficult to provide affordable services to the rural masses.

Despite long term viability of the telecom sector, banks and FIs do not want to take any fresh exposure, cutting down the funding options of the industry drastically due to the growing regulatory uncertainty in the sector. It is critical that the industry is provided a dedicated sectorial allocation/fund to ensure consistent financial support for long terms of 15-18 year tenures. Also there is a need to infuse funds by way of redeemable preference shares (RPS), spectrum mortgage, etc. to bring the necessary capital investment back into the sector.

Apart from the above major recommendations, the Industry Associations have also made several recommendations on definition of 'service', applicability of Nil rate of basic customs duty on OFC equipment, etc. Details of the recommendations are enclosed along with the release.

About COAI:

The Cellular Operators Association of India (COAI) was constituted in 1995 as a registered, non-governmental society dedicated to the advancement of communication, particularly modern communication through Cellular Mobile Telephone Services. With a vision to establish and sustain a world-class cellular infrastructure and facilitate affordable mobile communication services in India, COAI's main objectives are to protect the common & collective interests of its members. (<http://www.coai.in/>).