



Press Release

One-time fee to hurt consumers and impact the financial viability of the sector

New Delhi, 8th Nov 2012: COAI reacted strongly to the Cabinet decision for levying of one-time fee on spectrum holding of incumbent GSM operators. The Cabinet has agreed to impose a one-time charge on a retrospective (beyond 6.2 MHz) & prospective (beyond 4.4 MHz) basis on the GSM operators. Mr. Rajan S Mathews, DG, COAI stated that, "The decision is not only in violation of the license conditions through which spectrum has been allocated but also runs contrary to the affirmations given by the Government and accepted in both the Houses of the Parliament, that all spectrum granted to the operators was as per the applicable guidelines of the Government from time to time and is appropriately charged through spectrum usage charges."

Also, no clarity has been provided as to how the one-time license fee will be levied on CDMA operators, since there would be no auctions in the 800 MHz band. A similar situation may arise in certain circles where there may be no bidders in the upcoming 2G auction and hence no auction-determined price to calculate the one-time levy for these circles. This will add to the woes of the operators who are concerned about the validity of the 'market-price' discovered in the upcoming 2G auction as being the true spectrum price, given that the operators are bidding under compulsion due to license cancellations and scarcity of spectrum.

The one-time charge decision is expected to impact the industry with an additional financial burden of INR 30,000 crore (approx.), which eventually, will be passed on to the consumers in the form of increased prices for their services. Mr. Mathews voiced that such a decision has been made without giving due consideration on the impact it will have on the subscriber, as well as considering the dwindling financial status of the cellular industry, which is one of the most heavily taxed industries at present in the country.

Decision in Violation of the License Conditions:

It may be noted that the Annexure 55 of the One Man Committee Report that is placed on the DoT website clearly demonstrates the decision making process through which the Government took a conscious decision to charge for spectrum beyond 6.2MHz on revenue share basis instead of a one-time fee. This decision was conveyed by way of the DoT Circular dated 1 February 2002. Now, the Government has taken a U-turn and decided to burden the industry with both the revenue share as well as the levy of one-time fee.

The Cabinet also decided that in the case of "**spectrum sharing**", both the operators involved, are required to pay a spectrum usage charge at the slab rate applicable on the entire spectrum holding of both combined. It is a matter of deep concern that while TRAI is espousing the cause of "**technology neutrality**" in the use of spectrum, it continues to discriminate against the GSM operators by **allowing Dual spectrum Operators to pay separate spectrum usage charges in 800MHz (for CDMA) and 1800MHz (for GSM) respectively.** This is despite TRAI itself having recommended earlier that the spectrum should have been clubbed for the purpose of paying spectrum usage charges. COAI

states that this discriminatory pricing can be expected to cost the Government at least around 25-30,000 crores over a potential 20 year license period.

The industry continues to be disappointed with the indifferent attitude displayed by the Government towards the worsening financial health of the private telecom companies. Despite continuous communications and representations from the industry regarding the implications of several proposed directives and the negative impact they might have on the stakeholders involved, the government has been insensitive to the appeals of the industry and has further added to the industry's financial woes. COAI would urge the government to reconsider the decision in light of the probable impact on all the stakeholders as well as the fact that it is in violation of the license conditions.

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/>).