



COAI Press Release January 27, 2014



EGoM Fails to Address Critical Issues on Spectrum Usage Charge

New Delhi, January 27, 2014

COAI strongly opposes the move of continuing with the discriminatory SUC regime and maintains that a uniform SUC for all operators offering voice, video and data services in the country should be implemented, as suggested by TRAI. Although the suggested move could benefit the telecom operators marginally; serious issues still remain unanswered.

As per reports, the Empowered Group of Ministers (EGoM) has decided to levy a spectrum usage charge (SUC) equivalent to the weighted average of 5% for spectrum won in the upcoming auction and the existing slab rate.

Mr. Rajan S Mathews, Director General, COAI stated, *“Failure of the EGoM to transition to a flat rate of SUC is a failure to address both the anomalies as well as the disincentives for operators on acquiring more spectrum. We believe that the application of a weighted rate would not only complicate and irrationalize the levy structure, but would also act as a disincentive to mergers, acquisitions and spectrum sharing and trading. In turn, it will affect the potential investments to the sector, which is already facing hurdles presently. In addition, opportunities for arbitrage that exist between different bands and technologies would continue to exist.”*

The SUC regime recommended by EGoM leaves most of the issues raised by TRAI unaddressed. TRAI in its recent recommendations on SUC had correctly noted that the current policy of escalating charges, which is unique to India leads to anomalous results; creates a non-level playing field; penalizes larger operators; discourages mergers and represents a significant burden on the industry. The industry has been highlighting that the guiding principles governing the SUC must ensure that the total cost of spectrum is equitable for all TSPs across the entire period of the license.

However, the new EGoM decision does not address the anomaly of differential spectrum usage charge and will lead to different rate being applied to telecom operators for holding similar spectrum. It will continue to foster a non-level playing field and create arbitrage opportunities. The BWA spectrum holder will continue to pay SUC at a much lower rate despite their capability to offer all

services under the umbrella of the Unified License. TRAI in its recommendations had highlighted that it will not be possible to segregate the subscribers and consequent AGR, but this method aims to segregate spectrum when no such segregation exists.

Further, the EGoM's decision to charge 5% for all new spectrum is way too high than global average SUC of 1%. Wherever spectrum is sold globally, against an upfront price determined through an auction, the spectrum usage charge is always kept at a nominal/minimal level so as to recover the cost of spectrum management and administration. This ensures a non-discriminatory framework while also ensuring overall revenue for the exchequer in the long term.

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