
News release

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Contact **Nandini Chatterjee**
Director– Brand & Communications
PricewaterhouseCoopers Pvt. Ltd
nandini.chatterjee@in.pwc.com
Direct: +91 (124) 4620661

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COAI and PwC unveil their assessment of TRAI’s spectrum recommendations on end consumers

Estimates cost per minute to go up between 29 to 34 paisa against TRAI’s 4.4 paisa

The Cellular Operators Association of India (COAI) today unveiled an assessment conducted by PwC India, of TRAI’s recommendations on the auction of spectrum. The paper ‘**Impact of TRAI’s spectrum recommendations on consumers**’ undertakes an independent analysis of TRAI’s recommendations of 23 April, 2012 focusing on the spectrum pricing proposed, and its potential consumer and industry impact. The paper also attempts an understanding of the possible effects on tariffs and on the telecoms industry.

Sharing his views on the report **Rajan S. Mathews, Director General, Cellular Operators Association of India said**, “The PwC assessment has revealed to us the inconsistencies in the TRAI recommendations. Our greatest concern however is the adverse impact upon the end consumer which the report reveals. This careful examination of TRAI’s recommendations reveals a clear disconnect with the spirit of the National Telecom policy, 2012 which hopes to leverage telecoms as a tool for greater economic inclusion.”

Some of the key findings from PwC’s assessment include the following:

1. TRAI underestimates the cost per minute impact by around 50% by counting both incoming and outgoing MOU (Minutes of use) in its calculations rather than just the outgoing MOU which are charged
 2. TRAI does not consider the further cost of extension of licenses for renewed usage of spectrum which are at present in use for servicing current customer needs
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3. TRAI omits the additional spectrum that will be required to service the huge growth in voice and data traffic implied by TRAI's workings, which estimate MOU growth of 2.58 X over the 20 year period.

As a result of these considerations, PwC's assessment estimates that the cost per minute to a subscriber will increase by a range of 29-34 paisa compared to 4.4 paisa (FY13) as estimated by TRAI. The paper points out further that TRAI assumes in its operator estimate that MOU per subscriber will grow by 83% in the 20 year period while in the last four years MOU per subscriber has declined by 13% per annum. Also India is unlikely to see data usage as 50% of revenue by 2020-21 as estimated by TRAI,

Indian mobile operators' financial performance will be impacted by the recommendations due to the proposed heavy spectrum costs. In the past the operators have absorbed cost increases but the paper suggests that the industry will not have the capacity to do the same in the future given their steadily eroding profit margins and their unsustainable debt service burden. The paper states that India now has the lowest EBIDTA margin for the telecoms industry in emerging Asia.

Sharing his insights into the paper **Mohammad Chowdhury, Leader Telecom, PwC India** stated, "The paper, on our part, has been an attempt to constructively assess the impact on consumers and the industry. Our study reveals that the impact on consumers could be very considerable and also that the industry is not ready to take on any further deterioration of its financial performance."

About COAI

The Cellular Operators Association of India (COAI) was constituted in 1995 as a registered, non-profit, 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. Prominent private service providers and the infrastructure vendors are members of COAI, and work closely on various Industry issues.

More about COAI at: (<http://www.coai.in/>)

About PwC

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