



COAI Press Release

Continuing a discriminatory Spectrum Usage Charge regime will hurt the Auctions: COAI



New Delhi, December 20, 2013

In the pre-bid conference for the forthcoming spectrum auctions, held in New Delhi today, nearly all the telecom operators expressed their concerns over the anomalies resulting from the slab wise charging of Spectrum Usage Charge (SUC). COAI has strongly opposed the discriminatory SUC regime and fully endorses a uniform SUC of 3% of AGR for all operators offering voice and data services in the country as suggested by TRAI. The industry has time and again highlighted 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.

Mr. Rajan S Mathews, Director General, COAI stated, *“Failure of the DoT to clarify if they will be able to take a decision on the implementation of a flat SUC, either before the date of issuing clarification on NIA (December 28, 2013) or the auction date, will be near fatal to the success of the upcoming auctions.”*

Under the present NIA, based on slab based charges, clubbing of all the spectrum that an operator holds (both old and that acquired through auction) for calculation of SUC, will result in shifting an operator from a low SUC to a high SUC slab applied on the overall AGR. For example, an operator who currently holds 4.4 MHz of spectrum, and acquires 5 MHz of 900 MHz spectrum in the upcoming auction and chooses to use the 900 MHz spectrum for 3G, will see their SUC jump from a 3% to a 6% slab rate applied on all revenue. This will act as a deterrent for any operator to acquire more spectrum whether through auctions, mergers or spectrum trading/transfer.

TRAI in its recent recommendations on SUC has 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. In addition, we believe that it discourages the purchase of spectrum; perpetuates the inefficient use of spectrum; distorts spectrum auctions; skews technology choices and, ultimately, may result in lower revenues for the government.

The industry was expecting that the DoT would correct the discrepancies in the current practice of levying spectrum usage charge and consider a flat SUC as opposed to an escalating charge. However, in the pre-bid conference held today, the DoT gave no indication that the issue would be addressed before the auction date.

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.

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