

PRESS RELEASE

TRAI Recommendations on Review of License Terms, etc COAI's Preliminary Comments

NEW DELHI, August 29, 2007....The TRAI has come out with lengthy recommendations of 178 pages which will need time to be studied and responded to in a substantive manner. However, COAI's preliminary comments on the recommendations are as below:

1. COAI has noted that **TRAI has recommended that there should be no cap on the number of access providers** in a service area. Mr. TV Ramachandran, Director General, COAI **welcomed this recommendation** and stated that COAI and the GSM industry have always welcomed and will continue to welcome open and healthy competition on level playing field terms as we believe that a free and fair play of market forces is beneficial for the consumer as well as the industry. In this regard, he pointed out that 75% of the competition in the access market is in the GSM segment.
2. Mr. Ramachandran however expressed **deep concern and disappointed by the extremely arbitrary and stringent recommendations** of TRAI on the **allocation and pricing of 2G spectrum**.
3. While he **appreciated the challenges relating to paucity of spectrum and the imperatives to ensure the most optimal and efficient utilization** of this resource, he stated that the **triple whammy** sought to be applied to the industry in terms of a **significant tightening of the subscriber linked criteria, the imposition of a steep one time charge as also the enhanced spectrum usage charges** for allocations beyond 10 MHz, is both incorrect and unfair and would **add significantly to the cost of service and adversely impact the achievement of national telecom objectives**.
4. He pointed out that the recommendation had proposed a tightening of **subscriber linked criteria by more than 4-5 times, which is completely arbitrary and not backed by any scientific /technical logic**.
5. In this context, he stated that the **TEC has already set up a Committee to look into the efficient utilization of spectrum** and it was **desirable that the report of this Committee be awaited before taking any view on the subscriber linked criteria**.
6. Mr. Ramachandran **emphasized that in any event, any modification to the subscriber link criteria could only be applied on a prospective basis. Existing licensees/operators have invested thousands of crores on the basis of existing policy which cannot be rolled back in such an arbitrary manner**.
7. It was stated that the **one time charges recommended by TRAI for allocations beyond 10 MHz are too steep and are tantamount to acquiring the license all over again**.

8. **Furthermore, the enhanced spectrum usage charges** for allocations beyond 10 MHz were also excessively high, especially a scenario where **operators are already reeling under the onerous burden of high regulatory cost** structure. **TRAI recommendation to hike spectrum usage charges upto 8% of AGR is a very retrograde step** as it will not only **add significantly to the cost of service**, but will also **adversely impact achievement of national telecom objectives**.
9. Notwithstanding the above, Mr. Ramachandran **appreciated that TRAI has recognized the right of GSM licensees to 15 MHz** (and even beyond) spectrum per operator. He stated that the **licensees have invested thousands of crores** in acquiring their licenses and establishing their networks and they **must be assured of adequate and optimal bandwidth to grow to meet the national telecom objectives and also in order to meet proper and necessary QOS**.
10. **COAI welcomes the removal of the cap on spectrum for a post merger entity and urges that this recommendation be accepted by the Government. Other recommendations relating to M&A are also steps in the right direction of reforms and liberalization.**
11. In respect of **permission to a licensee to offer access services using a combination of technologies**, Mr. Ramachandran stated that in light of the fact that TRAI has recognized the right of GSM licensees to 15 MHz (and beyond) per operator, it is **clear that the said spectrum will be made available to the said operator only after the requirements of existing licensees for optimal bandwidth are fully ensured and on a first-come-first serve basis**.
12. It is however **not clear what contingent rollout obligations are to be met** by a licensee seeking and being allotted spectrum of another technology.
13. **COAI welcomes the recommendations of TRAI to incentivise rural rollout for wireless through the USO Fund & also the incentive to operators to pay a lower USO levy** for achieving good coverage (75% of the development blocks). This will encourage all wireless operators to aggressively rollout their networks into the rural areas.
14. **COAI has noted that TRAI has recommended that spectrum** excluding 800, 900 & 1800 MHz bands **must be auctioned**. It is **presumed this recommendation does not apply to allocations of 3G spectrum to existing licensees they are entitled to offer all types of access services under license and also because they have entered into a contractual settlement with the Government in 2002 to pay for additional spectrum on a revenue share basis**..

****ENDS****