

FICCI EXPRESSES DEEP CONCERN AT THE HIGH RESERVE PRICE FOR 2G SPECTRUM. URGES GOVERNMENT TO HAVE A RE-LOOK FOR THE SAKE OF INDUSTRY HEALTH, AFFORDABILITY AND COMPETITION.

NEW DELHI, August 4, 2012: FICCI joins the telecom industry in its disappointment to see that an unreasonably high base price has been fixed by the Union Cabinet for the auction of 2G spectrum. Further, the spectrum usage charges, which should have been a small sum to cover the administrative expenses, have also been kept very high between 3 and 8%. This will not only impact the overall health of the telecom industry, which is already reeling under severe financial stress, but also goes against the overall vision of the Government to provide affordable telecom services to the masses.

The government has clearly stated that the primary objective of NTP 2012 is the proliferation of **“affordable, reliable and secure telecom and broadband services in furthering the national development agenda while enhancing equity and inclusiveness”**, terming **“revenue maximisation as a secondary objective”**. It is therefore surprising that the Govt. has taken a decision that goes completely against the spirit of the NTP.

While the NTP 2012 **“recognises the predominant role of the private sector and the consequent policy imperative of ensuring continued viability of service providers in a competitive environment”**, the decision to set such abnormally high base price will further burden the already cash starved industry with increased debts. At a time when the telecom operators are facing a huge challenge in generating funds from the financial institutions, this move will adversely impact their ability to raise debts which in turn will affect their investment and expansion plans.

FICCI believes the move is anti-consumer and harms competition. It will force the telecom companies to increase tariffs and substantially increase entrance barriers for new entrants thus adversely impacting competition. and will hurt any new investments in the sector, thus reducing competition. It will also impact the government’s objective of attracting foreign investments in the country, and positioning India as a preferred investment destination.

We respectfully urge the government to take a re-look at this decision that has serious repercussion on the telecom sector that was once hailed as the poster boy of India's growth story.

MEDIA DIVISION