

COAI Statement_Voda Idea merger

We congratulate both our valuable members Vodafone and Idea on the announcement of the merger. This amalgamation will create the country's biggest telecom services provider with a customer base of over 394 million.

We have seen some significant consolidations in the past and this announcement is a welcome and positive step in the direction of TSP coming together and creating resilient networks with a large asset base for an enhanced consumer experience.

Since 2008, increased hyper-competition has been impacting revenue streams across all new and old operators. There has been a continuous increase in expenditure due to high costs of Spectrum acquisition and a severe financial burden on the industry caused by extremely high and multiple levies and taxes. Operators have also had to re-acquire Spectrum in order to continue operations.

There is currently a tariff war in the market which may not be sustainable for long. This has also severely impacted the revenue stream of operators, not just in terms of an increase in cost but also in terms of a marked decline in the revenue stream. All these have put the financial condition of this industry at risk and increased the debt to INR 4.3 Lakh crore, also leading to a severe decline in government revenues from the industry.

Earlier, there were 13 operators, as opposed to the present nos of four to five operators. Due to the poor financial health of the sector, we are witnessing mergers, acquisition and combinations of companies like Idea and Vodafone, Aircel and R Comm and MTS. Other companies like Videocon and Etisalat have already left the industry because of this hyper competitive pressure.

This trend of mergers and consolidation, will however remain a positive development, benefiting customers, operators and Government in the long run on global lines. The need of the hour however is, a predictable, stable, long term, regulatory and policy environment, to ensure the financial health of TSPs and a conducive environment for continued investments for a fully connected and digitally empowered India.