

OVUM PRESS RELEASE

3G spectrum auction saga in India: end in sight but vision remains fuzzy

Uncertainty about the number of blocks to be released have important ramifications for smaller players

Melbourne, Under embargo until August 27, 2009 - According to a new report from **Ovum**, the global analyst and consulting company, 3G spectrum auction in India can be expected soon. However, there is still uncertainty about the number of blocks to be released. Although this decision will have little impact on technology evolution, it will have important implications on the ability of the smallest two of existing six private big players to participate and win spectrum.

"3G spectrum auction is unlikely to attract additional new players or entice most of the new 2G licensees to participate", said Amit Gupta, Principal Analyst, based in India. However, the government's decision on the number of available 3G blocks to be auctioned will have some ramifications on the competitive landscape. "If all the blocks are auctioned then the smallest two of the six probable bidders – namely Idea and Aircel – might increase their chances and affordability of acquiring spectrum," explains Mr. Gupta, author of this research.

Incumbents in the Indian wireless industry are in immediate need of 3G spectrum to add capacity to their strained networks and to offset decline in average revenue per user (ARPU) by launching high-end value-added data services. Despite industry needs, ambiguous policies, scarcity of spectrum in the possible 3G bands and difficult political environment have delayed the auction by many years.

Most of the contentious issues blocking the auction have been resolved. Therefore, we are cautiously optimistic about the release of spectrum in coming months. However, the government still have to make a decision on key issues such as the amount of spectrum to be released and the number of players allowed to participate in bidding.

We do not believe that 3G spectrum will attract more new players in the industry. The decision on the amount to be released is likely to have little impact on bidding strategy of the four largest players and participation from new 2G licensees. However, if the auction is limited to only three blocks of 2x5MHz spectrum, Idea and Aircel, who are among probable bidders, will find it difficult to outbid their bigger rivals.

Although DoT anticipates a considerable impact of the amount of spectrum to be released on technology evolution, we believe that 3G evolution for both GSM and CDMA operators is clear. For 4G, considering global trends, both types of operators are likely to adopt LTE and expected changes in the industry in next few years will facilitate that.

Amit Gupta says, "Although 3G spectrum in India is much needed and should be auctioned soon, its impact on competition and technology evolution is overstated."

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Notes for Editors:

The report '3G spectrum licensing in India', outlines progress, outlook and implications of 3G auction in India. The report gives a background of auctioning efforts and roots causes of delay so far. It also lists issues which are on the table, recent development and likelihood of auction in near future. Implications on competition and technology evolution are analyzed under two scenarios the government is considering – auction of only three blocks in available 3G band and auction of all available blocks in that band.

About Ovum:

Ovum is a global advisory and consulting firm. Its primary activity is providing value-added advisory services and consulting to retained and project clients. The company acts as a well-respected and trusted source of industry data, knowledge and expertise on the commercial impact of technology, regulatory and market changes. Ovum engages in continuous research and industry analysis to determine market dynamics in its specialist sectors.

Ovum has developed long-standing relationships with many of its corporate clients, which include major international blue-chip companies such as Alcatel-Lucent, AT&T, BT, Cable & Wireless, Cisco Systems, Deutsche Telekom, Fujitsu, HP, IBM, Microsoft, Telstra and Vodafone.

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