

Response to “Consultation Paper on Valuation and Reserve Price of Spectrum: Licences expiring in 2015–16”

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Introduction

This note is a brief response to the Telecom Regulatory Authority of India (TRAI) on its Consultation Paper on “Valuation and Reserve Price of Spectrum: Licences expiring in 2015–16” issued on 7th August, 2014.

This is a combined response to the first 2 of the 38 questions posed in the consultation. This does not imply that others are unimportant but certainly that they are less urgent.

Q.1. Please comment on the issue of making available additional spectrum in contiguous form (as discussed in para 2.5 and 2.13) in the 900 MHz and 1800 MHz band.

Q.2. Please comment whether only contiguous blocks of minimum 5 MHz spectrum should be put for auction.

Argument

The crux of this response is that that the small amount of spectrum being auctioned will hurt the already difficult broadband environment by reducing, instead of increasing the incentives to deploy broadband services.

Only a quarter of the spectrum being put to auction is new. Further, as the consultation paper, confirms the **spectrum on offer suffers on account of quantity, quality and type.**

- The spectrum is insufficient to meet even existing demand much less that of the future as demand for data services increases.
- The fragmented nature of spectrum will encourage a completely retrograde move to lower capacity 2G services. This is because the higher speed 3G and 4G services need larger chunks of at least 5 MHz and that operators would be forced to defend their considerable revenues from voice services.
- Spectrum in 2100 MHz is excluded from the auction. 2100 is intimately related to 900 and 1800 MHz spectrum and could have compensated somewhat for the shortage of spectrum that can support higher speed services.

This auction poses an unenviable choice to industry players, not just those whose licences are expiring: a company must risk its current revenues or develop data markets.

Conclusion

In view of the above, **it would be damaging to auction such a limited amount of 900 and 1800 MHz spectrum. The danger will be exacerbated if the auction excludes the related 2100 MHz spectrum.** It is therefore essential that all steps are taken to free up additional spectrum. Newspapers have widely reported that defence has idle spectrum that can be freed up for this purpose. This must be expedited and defence assisted in every way in undertaking the transfer. An auction with additional quantities of spectrum will still be contested vigorously since the demand would still exceed supply. It will raise substantial additional revenues for the exchequer. It will therefore promote several objectives simultaneously viz. broadband growth, competition as well as revenue generation.