

Trai spectrum prices high due to inconsistency in principles: Study

NEW DELHI: The spectrum price recommended by regulator Trai is high due to inconsistency in the principle applied by the watchdog for calculating base rates, a joint study by ICRIER and Broadband India Forum has claimed.

"Our analysis ... on the pricing of the 1800 MHz band finds that a bulk of the reserve prices not only continue to remain high, there are also inconsistencies in the principles applied," the joint report by Indian Council for Research on International Economic Relations (ICRIER) and Broadband India Forum said.

It said that the Telecom Regulatory Authority of India (Trai) has placed immense value on the bid price of previous auctions and this method does not always account for changing market conditions or operator circumstances even if the gap between two subsequent auctions is not significant.

An email query sent to the Telecom Regulatory Authority of India (Trai) remained unanswered.

The regulator in December 2018 recommended the auction of about 8,644 MHz of telecom frequencies,



which include radio waves for 5G services, at an estimated total base price of Rs 4.9 lakh crore.

Trai has suggested a base price of Rs 3,285 per megahertz for paired spectrum in 1800 Mhz band.

For the premium 700 Mhz band, Trai has said that its "reserve price ... should be equal to 2 times of reserve price of 1800 MHz spectrum band", resulting in about 43 per cent reduction in the price of

this band to Rs 6,568 crore per Mhz for paired spectrum.

In 2016, the government had fixed the base price of 700 Mhz band at Rs 11,485 crore per Mhz, which was around four times the price of 1800 Mhz band.

The radio waves in lower frequency bands cover more area compared to signals transmitted in higher frequency bands and accordingly their prices also increase.

Incumbent telecom operators Bharti Airtel and Vodafone favour spectrum auction with some gap as the industry does not have much appetite for airwaves given the financial crisis in the sector.

Trai has also been applying index pricing formula to determine the spectrum price based on bank interest rates.

The ICRIER-BIF report said that the indexed value does not account for the supply of spectrum in past auctions, the number of bidders, the status of bidders (expiring licence), and fragmentation of spectrum offered etc.

"Designing spectrum auctions are always fraught with risk. The over-reliance on reserve prices may not necessarily yield successful market outcomes. There are several other factors that influence auction outcomes such as bidder turnouts, market conditions and choice of auctioning agent," the report said.

It has suggested that the government should hold Combinatorial Clock Auctions in which spectrum is packaged along with additional rules that may suit industry based on their business case.

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