

Financial cost of unsold spectrum pegged at ₹5.4-lakh crore

In absolute terms, the reserve price of 5G spectrum works out to be 5-6 times more than in the other countries, says BIF report

OUR BUREAU

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India has incurred losses of about ₹5.4-lakh crore (about \$756 billion) to GDP from unsold spectrum, mainly due to legacy issues and high reserve prices in the previous auctions.

Further, every unsuccessful mobile spectrum auction has severe implications not only in terms of it remaining unsold but also the erosion of economic benefits as spectrum remains idle, according to a report by Broadband India Forum (BIF).

In the last auctions held in October 2016, more than 1300 MHz of radio spectrum (about 59 per cent) remained unsold, leading

to a significant unrealised potential. Taking all the six auctions held since 2010 together, only about 60 per cent of the spectrum put up for auction has been sold, the think-tank said in a statement.

Adopting a conservative approach, India had 762 million active mobile connections in 2016, served by over 3800 MHz of spectrum allocated to licensees.

The idle spectrum with the government could enable connectivity for roughly 278 million additional active connections, which correspond to 21 per cent of the population. If 10 per cent rise in teledensity leads to an increase of 1.9 per cent in GDP, the



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financial cost of this idle spectrum can then be estimated to be ₹ 5.40-lakh crore, or over 160 per cent of the economic benefit of ₹ 3.30 lakh crore from all spectrum auctions so far.

"We have maintained that spectrum's greatest value comes through its usage, rather than from the direct short-term revenues accrued through its sale.

One must note that spectrum price in India is, inarguably, the single most important factor that can translate the auction into a success or failure," BIF President TV Ramachandran said.

5G spectrum

"In the context of the upcoming 5G spectrum auctions, we must consider learnings from the past

and recalibrate the auctions in a manner that sets reserve prices at reasonable rates to facilitate maximum auction participation, and maximise the sale of spectrum so that an optimal combination of both direct and indirect benefits are realised," he added. Moreover, the quantum of spectrum allocated for the upcoming 5G auctions is not enough for a country of India's size and density. The amount of spectrum being made available for 5G in India is 175 MHz, which is almost half of that offered in the US, it said.

Additionally, the present 5G reserve price (3.5 GHz band) at ₹492 crore per MHz is also significantly in deviation with international norms. In absolute terms, the recommended reserve auction price is 5-6 times higher than in other countries.