



COAI urges Government to reconsider unsustainable spectrum prices

30th January 2013, New Delhi: The Cellular Operators Association of India (COAI) has urged the Government (DoT) to reconsider the unsustainable prices of the spectrum offered for the upcoming auction. In a letter to the Hon'ble Minister for Communications and IT - Shri Kapil Sibal, COAI has submitted that at the current prices proposed by the Government for 1800 MHz and 900 MHz spectrum, the only expected participation is what can be broadly termed "coercive participation", i.e. only operators having operations to save, may participate under protest. The Government has recognized that a high reserve price is the key detrimental factor when revising the reserve price for CDMA operators by 50%. COAI believes that a similar revision for GSM operators is warranted.

The following key submissions have been made by COAI:

- The Government's decision to reduce the reserve price of 1800 MHz spectrum by 30% in the next round of auction for the circles of Delhi, Mumbai, Rajasthan and Karnataka; as opposed to a 50% reduction in the case of 800MHz, is both arbitrary and discriminatory as there is no basis for this differential treatment. It would be just and fair to apply at least the same reduction in reserve price, i.e. 50% for both 1800MHz and 800MHz.
In fact, a strong case can be made for a greater reduction in price for 1800 MHz spectrum, given the greater efficiencies of the 800 MHz band.
- Further, to maintain a level playing field and fairness in the auction, this revised price should be extended to all 21 service areas and not just the circles which saw no bidders. Also, based on the result of the second auction, price adjustment needs to be done for those who were winners in the first auction.
- The decision of further reducing the reserve price of 800MHz spectrum without applying the same logic and principles to 900MHz spectrum would be unfair and will create a severe pricing distortion between the same types of spectrum in terms of efficiency. It is distressing to note that the rationale of CDMA, being a "dying technology", is being used as an argument to reduce reserve price for 800 MHz spectrum. There should be parity between 800MHz and 900MHz pricing for reserve price by reducing the same for 900MHz to equal that of 800 MHz spectrum. Even TRAI has acknowledged parity between CDMA and GSM bands.
- COAI also submitted that Licensees coming up for extension in November 2014 cannot be arbitrarily coerced to participate in the forthcoming auction and the Government must honour and abide by the provisions for extension as contained in policy and license. Any attempt to arbitrarily coerce participation in the forthcoming auctions for assurance of any spectrum at extension, is anathema to the very concept of auction and a "freely" determined market price.

COAI has maintained that the high reserve prices set by the Government are guaranteed to have a detrimental impact on the auction. In fact, the DoT itself acknowledged that the last auctions conducted in November were sub-optimal since very few operators participated, large quantum of spectrum remain unsold, reserve price was not breached, except in one service area and that too, by a very modest percentage; and the Government did not realize the revenues it was targeting.

This time, the Government enjoys complete freedom to set a price that brings operators into the auction and brings about public good by ensuring productive deployment of all available spectrum and continuing competition in the market. In the interest of mobile telephony in India and in the interest of a successful auction, COAI requests a reduction of at least 50% or more in the reserve price for the upcoming auctions.

About COAI:

The Cellular Operators Association of India (COAI) was constituted in 1995 as a registered, non-governmental society dedicated to the advancement of communication, particularly modern communication through Cellular Mobile Telephone Services. With a vision to establish and sustain a world-class cellular infrastructure and facilitate affordable mobile communication services in India, COAI's main objectives are to protect the common & collective interests of its members. (<http://www.coai.in/>).