

**GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA**

UNSTARRED QUESTION NO:1639
ANSWERED ON:30.11.2009
PRICE MECHANISM OF NEW TELECOM LICENCES
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Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

- (a) whether the Telecom Regulatory Authority of India (TRAI) in its recommendations dated August 28, 2007 on Review of Licence Terms and Conditions and Capping of number of access providers had recommended para 2.73 that the price of new telecom licence should be measured through a market mechanism;
- (b) if so, whether the entry fee as it stands today is not realistic and neglects the price discovered during the grant of the Fourth Cellular licence;
- (c) if so, whether the Ministry has considered these recommendations of the Telecom Regulatory Authority of India (TRAI);
- (d) if not, the reasons of its non acceptance; and
- (e) the factors that weighed with Ministry in coming to the conclusion that the new telecom licences awarded in 2008 should be at the 2001 price and not through a market determined process?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI GURUDAS KAMAT)

(a) The deliberations in Para 2.73 of Telecom Regulatory Authority of India (TRAI)'s recommendations dated August 28, 2007 on 'Review of Licence Terms and Conditions and Capping of number of access providers' are reproduced below:

"The allocation of spectrum is after the payment of entry fee and grant of license. The entry fee as it exists today is, in fact, a result of the price discovered through a markets based mechanism applicable for the grant of license to the 4th cellular operator. In today's dynamism and unprecedented growth of telecom sector, the entry fee determined then is also not the realistic price for obtaining a license. Perhaps, it needs to be reassessed through a market mechanism. On the other hand spectrum usage charge is in the form of a royalty which is linked to the revenue earned by the operators and to that extent it captures the economic value of the spectrum that is used. Some stakeholders have viewed the charges/fee as a hybrid model of extracting economic rent for the acquisition and also meet the criterion of efficiency in the utilization of this scarce resource. The Authority in the context of 800, 900 and 1800 MHz is conscious of the legacy i.e. prevailing practice and the overriding consideration of level playing field. Though the dual charge in present form does not reflect the present value of spectrum it needed to be continued for treating already specified bands for 2G services i.e. 800, 900 and 1800 MHz. It is in this background that the Authority is not recommending the standard options pricing of spectrum, however, it has elsewhere in the recommendation made a strong case for adopting auction procedure in the allocation of all other spectrum bands except 800, 900 and 1800 MHz.

Thus in para 2.73, TRAI has not recommended that the price of new telecom licence should be measured through a market mechanism.

(b) to (d) Do not arise in view of (a) above.

(e) Based on the recommendations of TRAI and decision of Government, the Unified Access Services (UAS) licences are being granted on continuous basis since introduction of UAS licensing regime i.e. From 11.11.2003 at the entry fee for the 4th Cellular Mobile Telephone Service (CMTS) licence(s) awarded in 2001 & in service areas where there were no 4th operator, the entry fee of existing Basic Service Operator (BSO) fixed by the Government in 2001 based on TRAI's recommendation.

TRAI in its recommendations dated 28.08.2007 has not recommended any change in the entry fee for UAS licence. Accordingly, Government continued with the existing entry fee structure for UAS licences.

The fact that TRAI had not recommended any change in the entry fee for UAS licence, is also evident from TRAI's letter dated 26th May 2008 to Department of Telecom (DOT) conveying that keeping in view the objective of growth, affordability, penetration of wireless services in semi-urban and rural areas and principle of level playing field and opportunity for equal competition between the incumbents and new entrants, the TRAI recommended the same entry fee as was taken from the fourth cellular operator for grant of CMTS license in the year 2001.

