

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

UNSTARRED QUESTION NO:3809

ANSWERED ON:14.12.2009

LOSSES TO EXCHEQUER

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**Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:**

(a) whether the Government has recently allotted 2G spectrum on first-come-first-served basis at a pan India price of Rs. 1658.5701 crores fixed/assessed/agreed upon in November, 2003; and

(b) if so, the details thereof alongwith the quantum of losses accrued to the Exchequer in the absence of competitive open bid?

**Answer**

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

(a) The spectrum to the licensed access service providers are allotted on "First-Come- First-Served" basis based on their applications and subject to availability. No upfront charges are levied for allotment of 2G spectrum, only annual spectrum usages charges as a percentage of Adjusted Gross Revenue (AGR) is levied as detailed in Annexure-I. The recent allotment of 2G spectrum in year 2008 was also done on this basis.

However, based on the recommendations of the Telecom Regulatory Authority of India (TRAI) and decision of Government, the Unified Access Services (UAS) licences are granted on continuous basis since introduction of UAS licensing regime with effect from 11.11.2003 at the entry fee for the 4th Cellular Mobile Telephone Service (CMTS) licence(s) awarded in 2001 and 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. The total entry fee for grant of UAS licences for 22 service areas in the country works out to Rs. 1658.5701 crores. Besides this, the UAS licensee also pays annual licence fee of 6%, 8% and 10% of AGR for category 'C', 'B' and 'A' service areas respectively.

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. Further, keeping in view the objective of growth, affordability, penetration of wireless services in semi-urban and rural areas, the TRAI was not in favour of changing the spectrum fee regime for a new entrant. Opportunity for equal competition has always been one of the prime principles of the TRAI in suggesting a regulatory framework in telecom services. Any differential treatment to a new entrant vis-à-vis incumbents in the wireless sector will go against the principle of level playing field. This is specific and restricted to 2G bands only i.e. 800, 900 and 1800 MHz. This approach assumes more significance particularly in the context where subscriber acquisition cost for a new entrant is likely to be much higher than for the incumbent wireless operators. TRAI, therefore recommended that in future all spectrum excluding the spectrum in 800, 900 and 1800 bands should be auctioned so as to ensure efficient utilization of this scarce resource.

TRAI has not recommended any competitive open bid for allocation of 2G spectrum. Accordingly, the 2G spectrum was allocated as per existing procedure as stated above.

(b) In view of the objective of growth, affordability, penetration of wireless services in semi-urban and rural areas, allocation of 2G spectrum without any competitive open bid does not amounts to losses accrued to the Exchequer. The amount of annual license fee and the spectrum charges collected from access services licensees as percentage of AGR are increasing year after year as detailed below for last 3 years:

Year 2006-07    Year 2007-08    Year 2008-09

Spectrum Charges    Rs.1957.39 Crore    Rs.2884.17    Crore    Rs.3248.57 Crore  
Collected

Licence fee collected    Rs.6345.42 Crore    Rs.7868.27 Crore    Rs.8751.94 Crore