

Name of Paper : THE ECONOMIC TIMES

Published at : NEW DELHI

Dated : 24 MAY 2012

Anand Sharma Slams Trai Call on Auctions

Says it'll make ₹1-lakh-cr investments redundant

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NEW DELHI

Commerce and Industry Minister Anand Sharma has criticised the telecom regulator's proposals on spectrum auctions, and said its implementation would render investments worth ₹1 lakh crore by mobile phone companies redundant, becoming the first cabinet minister to oppose the contentious recommendations.

In a letter earlier this month to Finance Minister Pranab Mukherjee, the head of the panel of ministers that will take a final call on all issues related to sale of airwaves, Sharma said the reserve prices prescribed by Trai for the auctions were nearly 70-80 times higher than those in developed countries.

"This will surely limit the participation in auctions and have major implications on tariffs," he said, and added that the upcoming sale of airwaves should be done in a manner that balanced the interests of the consumer and industry.

Leading telecom companies have severely criticised the regulator's recommendations, terming them as 'flawed, retrograde and regressive', and their chief executives have lobbied hard with all key ministers in their battle against Trai. They have said the sharp increase in spectrum costs could result in doubling of call rates.

Last month, Trai proposed telcos that lost their permits after the Supreme Court cancelled licences awarded in the controversial 2008 sale, as well as existing operators and other new entrants should pay a minimum of ₹3,622.18 crore for every unit of 2G spectrum in the upcoming auctions.

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A SHARMA
Commerce &
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This is more than 13 times the amount telcos paid in 2008, when former telecom minister A Raja handed out pan-India permits, which came bundled with 6.2 MHz of 2G spectrum, for a mere ₹1,659 crore.

Sharma has also cautioned the finance minister against accepting Trai's recommendations on refarming or redistributing airwaves in the 900 MHz band, largely held by incumbents, and substituting them with frequencies in the 1800 MHz band, when licences of mobile phone companies come up for renewal beginning 2014.

"I am given to understand that the 900 MHz spectrum, which is currently used in the delivery of GSM services, has been proposed for refarming and the existing licensees are being asked to migrate to a higher frequency band. Clearly, this will have serious implications as huge investments in new infrastructure will be required while making the current investments of ₹1 lakh crore redundant," Sharma wrote in his letter.

He added that the 900 MHz band had enabled telecom coverage in rural areas, and getting operators to move to a higher frequency band, which is more suited for high-density urban ar-



reas, would require a much larger investment.

Sharma said India's telecom revolution had helped its industry to 'gain in strength and invest in other parts of the world', and it was, therefore, 'crucial that Trai's recommendations be examined with prudence and caution'.

"At this juncture, we can ill-afford to have regulatory uncertainty in a sector as crucial as telecom, which has catalytic growth impact for the entire service industry," he said.

Sharma's communication to Mukherjee adds that Indian banks have a huge exposure to telecom and 'any disruption would have adverse effect on the banking industry'.