Reforming the Spectrum Auctions

Why in news?

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Union government of India is rethinking its approach to spectrum auctions.

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What does a Spectrum Auction means?

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- Energy travels in the form of waves known as electromagnetic waves, these waves differ from each other in terms of frequencies, and this whole range of frequencies is called the spectrum.
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- In Telecom electromagnetic waves of different wavelengths are used, they are divided into bands based on frequencies.
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- A spectrum auction is a process whereby a government uses an auction system to sell the rights (licences) to transmit signals over specific bands of the electromagnetic spectrum and to assign scarce spectrum resources.
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- Spectrum auctions makes use of natural resources for revenue raising and ensuring economic development.
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What are the existing concerns in Indian spectrum auctions?

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- Earlier spectrum was allotted to various companies which are favourable of government’s choice at much cheaper prices or for free.
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- At critical times, government demanded Telecoms to buy fresh spectrums to renew their licenses, telecoms also bought spectrums at high cost to sustain their markets.
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- Once few reforms had brought in spectrum auctions, the prices of spectrums went sky high and even coal/iron ore allocations were cancelled for the same reason that they were not competitively bid.
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- This High auction bids had caused mobile tariffs to rise, and now tariffs are decided by competition.
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- These auctions tried to maximize government revenues instead of maximising development by bringing in greater benefits to citizens or to the private sector.
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What measures needs to be taken by the government?

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- Government need to remove the irrational excitement of the past to address the impact of bad policy like the shortage of spectrum.
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- If government’s design is right, it can auction even water while keeping tariffs affordable or even subsidised, thus a better policy design is crucial.
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- The auction design must ensure the poor get a service at affordable price instead of concentrating on revenues.
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- Reforms also need to be roped in to reduce the ridiculously high license/spectrum charges and address the problems faced by the industry for better ease of doing.
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Source: Financial Express

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