Spectrum Auction

Why in news?

The Cabinet has cleared the proposal for auctioning the Radio Spectrum for commercial mobile services.

How will the auction take place?

- TRAI has recommended auctioning the spectrum of sub GHz bands of 700, 800 and 900 MHz.
- The total spectrum to be auctioned is about 2,251 MHz when compared to 2,355 MHz in 2016.
- The cumulative reserve price will be about $50 billion.
- Reserve price is the potential revenue accrual to the government.
- The auction will use the well-proven methodology of Simultaneous Multiple Round Ascending (SMRA).

What are the factors that determine the success of an auction?

- The success of spectrum auction depends on the following factors.
- First is the Reserve price which is positively related to the winning bid price.
- Higher reserve prices inhibit the bidders from bidding more spectrum blocks leading to lower amounts of spectrum sold.
- This was witnessed in the 2016 auction.
- Second is the willingness the telecommunication companies (telcos) to pay which is directly dependent on the number of VoIP subscribers.
- Now the Over the Top (OTT) providers provide more substitute goods than the VoIP subscribers.
- This has eroded the position of telcos resulting in a lower willingness to pay.
- Third is the allocation of unlicensed spectrum for Wi-Fi.
- Use of Wi-Fi by off-loading mobile data will reduce the demand for mobile network capacity.
- Hence, high allocation of unlicensed spectrum will lower the demand for licensed spectrum.
- Fourth, is the amount of spectrum that will be opened up for the auction.
- This data is not very clear leaving bidders in dilemma whether to acquire the spectrum now or wait for subsequent auctions.

What can be done to make the auction successful?

- Spectrum is a perishable scarce resource and its value will be lost if not used properly.
- Due to COVID-19 crisis, with the new form of work from home, the government has to ensure that the spectrum is successfully auctioned.
- Hence the following recommendations can be followed:

1. Reserve prices have to be kept lower-especially for 700 MHz –since it covers the hinterlands of the country.
2. Higher unlicensed spectrum has to be released for proliferating the use of Wi-Fi.
3. It can seen as a complement to carrier network & will augment the deployment of the Public Wi-Fi project.
4. Data should be clear on the quantum of spectrum to be put for the auction.
5. Government should release guidelines on how OTT will be regulated.
6. This can help telcos and OTTs to provide superior services for the benefit of the consumers.

Source: The Hindu

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