

# Don't Cut Spectrum Price: Chandrasekhar

Rajya Sabha MP urges Chidambaram to stick with the ₹18,000 crore reserve price for 2G auctions suggested by telecom regulator Trai



Rajya Sabha MP Rajeev Chandrasekhar

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A day before the scheduled meeting of the empowered group of ministers (EGoM) on spectrum, Rajya Sabha MP Rajeev Chandrasekhar asked home minister P Chidambaram to stick with the ₹18,000 crore reserve price for 2G auctions suggested by the telecom regulator and discard telcos' attempts to get the price lowered by threatening tariff hikes.

While Chandrasekhar lauded the Telecom Regulatory Authority of India (Trai) for its consistent stand on the reserve price and backed its submission to the EGoM that the spectrum price won't impact user charges, the Cellular Operators' Association of India (COAI) has slammed the Trai analysis calling it

'an exercise in illusion.'

A former telecom entrepreneur, Chandrasekhar warned Chidambaram about 'new opposition' to the reserve price from the industry, 'which is acting in its self interest.' "They would provide several reasons, which now need to be discarded in face of such overwhelming evidence supporting the original Trai recommendations," he wrote.

The COAI, in a letter to Telecom minister Kapil Sibal sent on Tuesday, said that the telecom regulator's impact analysis seemed to suggest that 'high pricing of spectrum will lead to a win-win situation for all stakeholders' but its assessment is based on 'some very tenuous and unrealistic assumptions.'

"Trai's revised analysis submitted to the EGoM has concluded that despite an increase of over ten fold in the price of

spectrum and despite the high costs of re-farming of 900 MHz spectrum (Rs 391, 239 crore), there will not be any significant impact of tariffs," the COAI noted. "Rather, Trai has assured the EGoM that tariffs would remain affordable, industry profitability will increase and the government revenues will grow dramatically (₹692,000 crore!)" the COAI missive said.

The industry body also called Trai's approach as 'non-transparent' as the regulator has not shared the cost-model on which it has based its conclusions. Calling Trai's approach fundamentally flawed, the COAI said the regulator seems to have confused reserve price and the market price to be obtained through auctions.

Quoting an ET report that appeared on Tuesday, the industry body said that the

Trai chairman Rahul Khullar has acknowledged 'the dire financial straits of the industry' and said that 'raising even ₹20,000 crore to ₹30,000 crore' from the equity market is going to be very difficult for operators. The regulator's views echo the industry sentiment, the COAI noted.

Chandrasekhar's missive to the home minister cited seven major reasons why the Trai proposals should be backed by the government. Rubbishing the prospect of tariff hikes due to high reserve price as a 'myth', he cited the example of Vodafone who kept user charges competitive even after paying \$12 billion to purchase Hutch's stake. "More recently, in the case of 3G auctions, after paying ten times the price of 2G spectrum, each company has launched voice services at a tariff equal to or lower than the prevalent 2G voice tariffs," he added.