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Text of the Press Statement of Shri Kapil Sibal on the Policy for Spectrum Assignment and Pricing

Following is the text of the Press Statement given by the Union Minister of Communications & IT, Shri Kapil Sibal here today on Policy for Spectrum Assignment and Pricing:

“Currently, there is a considerable debate regarding the assignment of licences in the year 2008 in which spectrum was bundled with the licences. I have already indicated that this was done following the then existing policy and the recommendations received by the Government. This policy was in the context of Government’s effort to increase the teledensity and reduce tariffs through increased competition thereby extending the reach of telecom services to all sections of society. There is no doubt that this policy has paid rich dividends and today, India is in the enviable position of being the fastest growing market as well as the second largest market in the world. Telecom services are being availed by all sections of society and the tariffs are the lowest in the world. There is adequate and healthy competition among the service providers bringing the benefits of competition to the consumers at large. The introduction of Mobile Number Portability has heightened and reinforced the element of competition for the benefit of the consumers at large. We are now at a stage when our subscriber base is increasing rapidly and the teledensity is of the order of 62.5%. People in the rural areas too are increasingly accessing the telecom services with the growth rate in the rural areas outpacing the growth rate in the urban areas.

“At the beginning of this year, I had indicated that we would be making a change in the direction of the telecom policy. That exercise is now well under way. The effort in the earlier policies has been to increase teledensity and competition with a focus on voice communications. With improvement in the telecom technology, and provision of Broadband services with increasing speeds, it is now possible for the telecom services to play a significant role in the realization of key development goals. I am keen that we use these technological advancements for ushering in a truly inclusive society. Spectrum continues to be a critical resource in this endeavour given the preponderance of wireless services in India. The time has now come to review the policy regarding spectrum assignment.

“It is in this area that Government would like to make a directional shift from past practice and bring in a fresh policy regarding spectrum. It is important that we ensure adequate availability of spectrum for telecom services. For this, we would be seeking a plan of action from the Regulator i.e. TRAI. Our aim is to make available adequate spectrum to meet the entire requirement of the telecom sector, with due regard to the requirements of other sensitive sectors while at the same time ensuring that there are adequate measures in place to ensure that operators use allocated spectrum efficiently and optimally.

“The assignment process would also need to undergo a major change from the past practice. Given the current level of competition and availability of spectrum, the time has come to review the need to allocate spectrum bundled with the licence at a fixed fee. This policy was adopted in the past in order to introduce more competition while providing a level playing field between old and new players. It has not been revised as yet. We believe that the stage has been reached where there is enough of competition to warrant a market driven process for allocation of 2G spectrum.

“In future, the spectrum will not be bundled with licence. The licence to be issued to telecom operators will be in the nature of ‘unified licence’ and the licence holder will be free to offer any of the multifarious telecom services. In the event the licence holder would like to offer wireless services, it will have to obtain spectrum through a market driven process. In future, there will be no concept of contracted spectrum and, therefore, no concept of initial or start-up spectrum. Spectrum will be made available only through market driven process.

“While moving towards a new policy dispensation, it is necessary to ensure a level playing field between all players. Hence going forward, any new policy of pricing would need to be applied to equally to all players. Additionally, assignment of balance of contracted spectrum may need to be ensured for the existing licensees who have so far been allocated only the start up spectrum of 4.4 MHz. It may be recalled that showcause notices have been issued to certain licensees for cancellation. Only in respect of the licences that will be found valid after the process is completed, the additional 1.8 MHz will be assigned on their becoming eligible, but the spectrum will be assigned to them at a price determined under the new policy.

“We need to seriously consider the adoption of an auction process for allocation and pricing of spectrum beyond 6.2 MHz while ensuring that there is adequate competition in the auction process.

“TRAI had made recommendations in May 2010 and indicated that it would apprise the Government of the findings of a study on the question of pricing of 2G spectrum in future. This is expected shortly. We would examine their recommendations speedily as soon as they are received, keeping the perspectives that I have outlined, while finalizing our new policy. I am confident that we will be able to design a policy that ensures that existing licence holders get the spectrum they need and are entitled to, while simultaneously, ensuring that the Government also receives revenues commensurate with the current market value of spectrum”.

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