

TELECOM REGULATORY AUTHORITY OF INDIA

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Subject:- TRAI submits its Recommendations to DoT On The Reference made On The Spectrum Charging For 3G Services- Moves from spectrum charges linked with revenue to Flat Rate linked to market based price

New Delhi:- The Telecom Regulatory Authority of India (TRAI) had submitted its recommendations to DoT on the reference made by DoT vide its letter No. P-11014/02/2008-PP dated 24th November, 2008 on the TRAI's recommendations on "Allocation and pricing of spectrum for 3G and BWA services" dated 27th September, 2006.

2. Based on the Recommendations of Inter-ministerial committee the DoT has sent the following proposal to the Authority for its comments/recommendations:-

The revised spectrum charges for 2G spectrum as proposed by DoT and endorsed by Authority is as follows:

Spectrum in MHz in 2G	Proposed Charges as % of AGR
upto 4.4/2.5	3
upto 6.2/5	4
upto 8	5
upto 10	6
upto 12.5	7
upto 15	8

- The new revised slab rates applicable to an operator with 2G spectrum should be applicable to the 2G + 3G spectrum holder on their total AGR.
- Stand alone 3G operator will pay 3% of AGR which corresponds to the lowest slab for 2G spectrum.



- 3G spectrum to be allocated based on auction shall not be counted for calculating the slab of the total spectrum holding by 2G licensee for levy of spectrum usage charges.
- The spectrum charge shall be payable on total Adjusted Gross Revenue (AGR) of 2G and 3G services taken together.
- There will be moratorium of one year on the payment of annual spectrum charges for the stand alone 3G operator only. However, Moratorium of one year will not be applicable to operators holding 2G +3G spectrum i.e. the existing licensees.

3. In this background the Authority took a holistic view so as to address the following objectives:

- a) Interest of consumer including afford ability issues;
- b) Just and fair allocation of spectrum;
- c) Efficient usage of spectrum and also the financial viability of the licensees;
- d) Fair revenue to the national exchequer

4. The salient features of the recommendations are:-

- Two percent (2%) of the highest bid amount as annual administrative charge during the validity period of 3G spectrum.
- As the operators will take time to roll-out their services after the allocation of spectrum, therefore the Authority recommended a moratorium of one year from the date of allocation of spectrum in respect of payment of administrative charge.
- The standalone 3G operator who does not have any allotment of 2G spectrum should also pay an annual spectrum charge of 3% of Annual AGR, which is equivalent to the lowest slab of 2G operator. It is clarified that this is besides the administrative charges.



- All available spectrum in 2.1GHz including anticipated spectrum availability within the next one year is put to auction so as to maximize the number of 3G service providers.
- The availability of 3G spectrum including anticipated should be put in public domain for the knowledge of bidders. It becomes particularly relevant as DoT has already decided to allocate spectrum to BSNL and MTNL. Therefore, it is essential that the principle of level playing field is urgently restored by putting all available spectrum for auction

5. The rationale for above recommendations is that the Authority had earlier recommended for de-linking of the spectrum allocation from the Licence. The auction of the spectrum is the first step in that direction. This besides helping to get the market value of the spectrum for the government is the most transparent method of allocation of scarce resource. The auction amount would determine the up-front charges that would be paid for allocation of spectrum. The key issue remains regarding determination of annual spectrum usage charges for licensees using 3G spectrum. It is partly being captured as the AGR will be determined on the combined total revenue for both 2G and 3G services. However, there is a clear case for levy of administrative charges from those who have been allocated 3G spectrum. It is particularly justified because the spectrum allocated for 3G is not added to total spectrum for determination of the spectrum slab for charges. The Authority considered various options to evolve a framework which has virtues of fair and just coupled with simplicity, negates possible accounting manipulation and offers easy base for estimation. It is considered appropriate by the Authority to link such administrative charges with the highest bid amount which reflects the market price of the spectrum. As we move towards auction as the means to allocate future spectrum, the slab system for determining the spectrum charges are not implementable particularly when the market determined spectrum price is being realized. Moreover there will be auction for spectrum earmarked for BWA and a simple arithmetical aggregation to identify a slab relevant to spectrum charges



will not serve the purpose. It will undermine the effectiveness and efficiency of the auction as different winners in auction would pay different rates of spectrum charges. This will be contrary to the principle of equity. It will also compound the anomalies, further aggravating the non level playing field. In the long run the Authority feels that levying of administrative charges at flat rate will be simple and easy to implement.

6. The Authority has emphasised that its recommendations are inexplicably intertwined and the desired objectives can only be achieved if the recommendations are accepted in totality.

The recommendations of the Authority is available at TRAI website www.trai.gov.in

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