

3G - BSNL, MTNL will have to pay a heavy price for the 'competitive advantage'

TT Correspondent | New Delhi | 20 May 2010

The completion of 3G spectrum auctions may have finally provided relief to private operators who have bid virtually astronomical price to bag 3G spectrum. But for PSUs BSNL and MTNL the final result may appear to be severely bitter.

The PSUs were granted 3G spectrum without having the need to bid for the same. The only criterion was that the two operators should pay the amount equal to final successful bid.

At the end of the auctions, the effective price which BSNL will have to pay for pan-India operations of 3G (excluding Delhi and Mumbai where MTNL is present) is Rs.10,186.6 crore. MTNL will have to pay Rs.6,564 crore.

3G Winners Auction for allocation of 3G Spectrum license closed on May 19, 2010 after 34 days and 183 rounds of intense bidding. The auction will earn a revenue of Rs. 67,718.95 crore to the government, including Rs. 16,750.58 crore pan-India fee payable by MTNL and BSNL. Revenues from the auction will be much higher than estimated		
Service area	Successful bidders	Winning price (Rs crore)
Delhi	Vodafone, Bharti, Reliance	3,316.93
Mumbai	Reliance, Vodafone, Bharti	3,247.07
Karnataka	Tata, Aircel, Bharti	1,579.91
Tamil Nadu	Bharti, Vodafone, Aircel	1,464.94
Andhra Pr.	Bharti, Idea, Aircel	1,373.14
Maharashtra	Tata, Idea, Vodafone	1,257.82
Gujarat	Tata, Vodafone, Idea	1,076.06
Kolkata	Vodafone, Aircel, Reliance	544.26
U.P. (West)	Bharti, Idea, Tata	514.04
U.P. (East)	Aircel, Idea, Vodafone	364.57
Punjab	Idea, Reliance, Tata, Aircel	322.01
Rajasthan	Reliance, Bharti, Tata	321.03
Kerala	Idea, Tata, Aircel	312.48
M. P.	Idea, Reliance, Tata	258.36
Haryana	Idea, Tata, Vodafone	222.58
Bihar	STel, Bharti, Reliance, Aircel	203.46
West Bengal	Bharti, Reliance, Vodafone, Aircel	123.63
Orissa	STel, Aircel, Reliance	96.98
North East	Aircel, Bharti, Reliance	42.30
Assam	Reliance, Bharti, Aircel	41.48
Himachal	Bharti, STel, Idea, Reliance	37.23
J&K	Idea, Aircel, Reliance, Bharti	30.30

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The government while granting 3G spectrum to BSNL and MTNL had said that the move will provide competitive edge to the PSUs. But the financial implications of the move will certainly sound bitter to the two operators.

In fact it appears that the two PSUs had turned out on to the losing side. While the private operators had an option to be selective to bid for circles, BSNL and MTNL had to offer 3G services across respective areas of operations.

Delhi and Mumbai were the two most competitively bid circles and this will hurt MTNL as it will have to shell out very high premium for the 3G spectrum.

The financial implications would have been justified if the two PSUs had been able to notch up handsome subscriber base for 3G services. But at the end of almost one year of launch of 3G services, BSNL claims to have registered 700,000 3G subscribers while MTNL claims to have over 200,000 3G subscribers.

The two operators are already going through a very hard period on the overall financial performance. In the backdrop of all these aspects, the government's move to allot 3G spectrum to the two PSUs appears to have backfired.