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Spectrum Pricing: Analysis

TRAI recommended pan-India reserve price of Rs. 1,496 crore per MHz in the 1800 band for the upcoming auction

Bharti, Vodafone to reap huge bonanza from new TRAI recommendations.

TRAI says new guidelines the result of bottom-up exercise; but this completely trashes findings of the Supreme Court and the CAG, all previous recommendations, all previous auction discovered prices of 2010 and 2012.

Delhi & Mumbai reserve price for 900 MHz band is proposed at 70% discount to 3G auction price of 2012 for these cities; even though 900 MHz is 3 times more efficient and valuable than 3G's 2100 MHz spectrum.

Delhi-Mumbai reserve price for 1800 MHz band is at 35% discount to the last auction-discovered price of even the TN Circle.

Bharti to pay a measly Rs 108 crore per year for 5 MHz of precious 900 MHz spectrum, which is 3% of their Delhi annual revenue, while Vodafone has to pay Rs 98 crore a year for Mumbai, which is 3-4% of its annual Mumbai revenue.

Reduction in SUC to 3% for liberalized spectrum benefits Bharti and Vodafone by Rs 63,000 crore over the license period, and leads to corresponding loss of assured revenues of that amount to the government.

Cap of 5% SUC is designed to favor the incumbents who hold a large amount of spectrum, thereby causing losses of thousands of crores to the exchequer.

In anxiety to toe Bharti's line, there is no reduction in 800 MHz band prices.