



Misrepresentation of facts by Bharti, Vodafone and Idea on uses of spectrum by various operators

The allegations by incumbent GSM operators on inefficient economic use of spectrum held by dual technology operators is bizarre and hides their mala fide intent to hoard spectrum far beyond what is permissible under the laws of the land.

Spectrum charges are calculated based on a percentage of the revenues of an operator. When incumbent operators quote lower spectrum charges paid, they are in effect saying that dual technology operators have lower revenues. That is, the incumbent operators are attempting to confuse the public by saying that a new network, recently launched, should have the same level of revenues as their well established networks. Today, these three incumbent operators – Bharti, Vodafone and Idea together have more than 60% of the revenues of the sector; naturally, they have to have higher payouts on spectrum fees as it is calculated as a percentage of revenues.

The incumbent operators have been in operations for up to 15 years and thus have huge revenues on their GSM network; new GSM operators including those who have launched GSM networks under dual technology licence, have been in operations for less than 1 year – obviously they will have lesser revenues and thus pays lesser spectrum charges. In fact, if you compare the spectrum fees paid by these incumbent operators within 1 year of launch, the new networks today pays a far higher GSM spectrum charge.

To further confuse the public, these operators are trying to club CDMA and GSM revenues, knowing fully well that the two technologies and their ecosystems are completely separate. It is for this reason that the Government charged dual network operators twice – i.e. they were asked to pay the licence fee of Rs 1,650 crores for pan India GSM spectrum yet again.

The option for taking CDMA spectrum under dual technology was open to these incumbent GSM operators. Rather than getting so frightened by dual technology operators' entry into GSM, what stopped them from taking a dual technology licence, pay the Rs 1650 crores and start CDMA services?

This distortion of facts is clearly an attempt by the GSM incumbent lobby to mislead public at large by distorting facts and drawing irrational conclusions. It is also a blatant attempt to direct attention away from the fact that they are hoarding spectrum well above what is permitted by the licence conditions – that is, 6.2 MHz of spectrum.

The private dominant operators are holding in excess of over 70 MHz of spectrum across circles beyond the contracted spectrum of 6.2 MHz which have not been paid for. This itself should fetch the Government over Rs.20,000 crores on being charged market prices or the Government auctioning it after these operators return it.

Now that there is pressure on incumbents to release this illegally held spectrum, these operators are quoting ludicrous data completely out of context. Just because incumbents have benefitted from the largesse bestowed to them by the Governments of the past – e.g. being allocated more spectrum than allowed by licence conditions, far more relaxed conditions for additional spectrum, changes to licence terms and changes to the interconnection regime etc. – these incumbent GSM operators believe they can similarly influence the Government yet again to take steps that protect their massive profits at the cost of Government revenues, competition and the customer

All over the world, leading regulators are working to balance the spectrum allocation between new networks and older networks. In India, older networks have up to 10 MHz of spectrum while new networks are being denied from taking up to 6.2 MHz that is rightly theirs as per licence conditions, despite meeting all the relevant requirements (called subscriber linked criteria). Incumbent networks have allocations in the 900 MHz band compared to new networks who only have allocations in the 1800 MHz frequency band. The net result is that new networks have to invest in up to 4 times the number of towers for the same coverage area – resulting in huge costs, risks of business failure to the new networks as well as overall environmental/ health concerns for India.

Recently, the same incumbent operators – Bharti, Vodafone and Idea – have alleged predatory pricing by new networks. They completely forget that the concept of predatory pricing applies to established players as their means to drive new players out of a sector. By alleging predatory pricing and making representations to the TRAI, the incumbents are trying to use regulatory levers to keep tariffs at a high level to protect their profits at the cost of consumer interest.

This misrepresentation of data is yet another cheap attempt to move attention away from this anomaly and clear discrepancy in India with respect to the rest of the world. The Government and the regulator is quite rightly not falling prey to this bizarre logic and neither must we.