



Spectrum Auctions

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Why in News

Bidding for the **sixth round of spectrum auction** for radio waves worth **Rs. 3.92 lakh crore** will start from 1st March 2021.

The long-awaited spectrum auction is **being held after a gap of four years** and over two years after the Telecom Regulatory Authority of India (TRAI) calculated and recommended base/reserve price for the radio waves.

Key Points

- **About the Spectrum Auctions:**

- Devices such as **cellphones and wireline telephones** require signals to connect from one end to another. These signals are carried on airwaves (medium of radio waves), which must be sent at **designated frequencies** to avoid any kind of **interference**.

Interference may prevent reception altogether, may cause only a temporary **loss of a signal**, or may affect the **quality of the sound or picture produced** by one's equipment.

- The **Union government** owns all the publicly available assets within the geographical boundaries of the country, which also include airwaves.
With the **expansion in the number of cellphone, wireline telephone and internet users**, the need to provide more space for the signals arises from time to time.
- To sell these assets to companies willing to set up the required infrastructure to transport these waves from one end to another, the **central government through the Department of Telecom (Ministry of Communications) auctions these airwaves from time to time**.
 - **These airwaves are called spectrum**, which is **subdivided into bands** which have varying **frequencies**.
 - All these airwaves are **sold for a certain period of time**, after which their **validity lapses**, which is generally **set at 20 years**.

- **About the Latest Auction:**

- The last spectrum auctions **were held in 2016**. The need for a new spectrum auction has arisen because the validity of the airwaves bought by companies is set to expire in 2021.
- In December 2020, the Union Cabinet cleared the sale of **2251.25 MHz of spectrum** (for 4G) across seven frequency bands at a reserve price of **Rs. 3.92 lakh crore**.

This is likely to provide a **boost to government revenue collections** at a time when its inflows from other sources such as direct taxes, indirect taxes such as **goods and services tax**, have **fallen sharply** on account of restrictions to prevent the spread of **Covid-19**.

- However, the government has **skipped the sale of the much-coveted 5G airwaves** in this round, auctions for which could though be announced soon.

Airwaves in the 3500 MHz band are considered ideal for the first wave of the 5G.

- Depending on the demand from various companies, the price of the airwaves may go higher, but **cannot go below the reserve price**.
 - A reserve price is a minimum price that a seller would be **willing to accept from a buyer**. If the reserve price is not met, the seller is **not required to sell the item, even to the highest bidder**.
 - The reserve price is recommended by **Telecom Regulatory Authority of India**.
- The successful bidders will have to pay **3% of Adjusted Gross Revenue (AGR) as spectrum usage charges**.
 - AGR is **divided into spectrum usage charges and licensing fees** that are fixed between 3-5% and 8% respectively.
 - It is the usage and licensing fee that telecom operators are charged by the Department of Telecommunications (DoT).

- **Potential Buyers:**

Apart from existing telecom players, **new companies, including foreign companies**, are eligible to bid for the airwaves.

Foreign companies, however, will have to **either set up a branch in India and register as an Indian company, or tie up with an Indian company** to be able to retain the airwaves after winning them.

Source:IE