

India's 3G licence auction sees stellar price rise

May 8 2010



An Indian woman speaks on a cellular telephone in Allahabad, India. Bids for nationwide licences in India's sale of spectrum for superfast 3G mobile services have hit 2.65 billion dollars, a government website said Saturday.

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An offer of 120.69 billion rupees (2.65 billion) reached on Friday was nearly 3.5 times the 35 billion rupee reserve price set by the [government](#) for a pan-India slot.

Final figures weren't available for Saturday but bidding was expected to kick off at 122.52 billion rupees.

Nine cellular firms, including Indian market leaders Bharti Airtel and Reliance Communications, are competing for 3G airwaves in the country, which added a record 20.31 million subscribers last month.

Proceeds from the auction, which began April 9, will be an important source of revenue as the government seeks to plug a yawning budget deficit.

Telecom Minister A. Raja has said the government is likely to earn upwards of 500 billion rupees from the auction of 3G spectrum and a follow-on sale of broadband airwaves.

Analysts believe the auction could be heading into its final stretch and could conclude in the coming days.

The sale, in which phone operators are slugging it out for scarce spectrum space in the world's fastest-growing mobile market, is seen as propelling [India](#) decisively into the Internet era.

There are nearly half a billion mobile phone subscribers in India, only a fraction of whom have access to the Internet via computers. New 3G networks will give people fast access to the web from their handsets.

Analysts say the cost of 3G could strain the balance sheets of India's telecom companies, which are already under pressure from a savage [price war](#) in the congested mobile market.

"There is not going to be any quick payback," KPMG telecoms analyst Roman Shetty told AFP, predicting companies would only start earning money from their 3G investments after four-five years, after

consolidation of the overcrowded Indian market.

The high sums being raised have also focused attention on a government move two years ago to award 2G licenses on a "first-come, first-serves" basis, rather than by auction. The Telecom Regulatory Authority of India was overruled when it proposed an auction.

Opposition parties have called for the resignation of communications minister A. Raja, alleging corruption in the distribution of 2G licences.

Some telecom ministry officials and private companies are already being probed by India's Central Bureau of Investigation.

Last year they raided offices to pursue allegations of irregularities in the awarding of the licences.

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Citation: India's 3G licence auction sees stellar price rise (2010, May 8) retrieved 25 April 2024 from <https://phys.org/news/2010-05-india-3g-licence-auction-stellar.html>

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