



Persatuan Pengguna Pulau Pinang Consumers Association of Penang

檳城消費人協會 பினாங்கு பயனீட்டாளர் சங்கம்

Websites:
www.consumer.org.my

10 Jalan Masjid Negeri, 11600 Pulau Pinang, Malaysia
Tel: 604-8299511 Fax: 604-8298109
email: consumerofpenang@gmail.com

Press conference

28 June 2018

CAP: Call for proper auction procedures in the awarding of spectrum

The Consumers Association of Penang (CAP) is extremely concerned that our government has lost billions of Ringgit in potential revenue in the awarding of spectrum licences to mobile phone operators in the past, through lack of transparency in the awarding process, as well as in the low pricing.

It is significant to note that India, which came out of a multi-billion Rupee scandal in its 2G spectrum allocations, where licences were granted to favoured companies, took steps to align spectrum prices in the country with the rest of the world to speed up deployments of 5G broadband networks.

In 2015, India raised RM638billion from the 900MHz and other bands valid for 20 years. This translates to RM31.9billion per year. On the other hand, this year Malaysia made RM2.755billion including the annual maintenance, from the 700MHz band, valid for 16 years. This is equivalent to RM0.17billion per year. This is a very big difference in cost irrespective of the size of the countries and other factors.

Spectrum is a prized commodity, especially the 700MHz band, as the cost to roll out services at this frequency is much lower than those at the higher frequencies. Therefore, the pricing for this frequency band must generate suitable and justifiable income to government coffers.

CAP calls for the 700MHz awards to be withdrawn immediately, and for the MCMC to disclose the criteria it had used to allocate the spectrum and set the fees. Most importantly, the MCMC must undertake an auction, with due transparency and accountability, for fresh allocations of these and all future awards.

The auction process must involve an independent panel consisting also of experts from the International Telecommunications Union (ITU) and Institute of Electrical and Electronics Engineers (IEEE) (or those qualified by the world bodies), as well as consumers' representatives in Malaysia.

We are particularly concerned that the awarding process in Malaysia did not adhere to the ITU's Guidelines for the Review of Spectrum Pricing Methodologies and the Preparation of Spectrum Fees Schedules.

According to the MCMC Spectrum Plan 2017, a successful applicant is chosen based on who bids the highest price, while the application must be based on the procedure set out by the MCMC. It says that the assessment is not limited to experience, technical and commercial proposals, but may also include assessment of price proposal depending on the type of tender.

In fact, the awarding should have undergone a well-designed auction as recommended by ITU and IEEE in order to allocate the resource to those who can use them most valuably.

With established guidelines and requirements for compliance, an auction will be more transparent and will give rise to less political controversy, when compared to other allocation mechanisms, since there is no room for subjectivity in assessing whether an undertaking accomplishes criteria for allocation.

It was put forward at the IEEE's 12th International Conference on, October 2016 that instead of relying on the government to assess the merits of competing firms' business plans, an auction compels businesses to ensure proper and effective utilisation of the spectrum that they earn based on bids.

It is also to be noted that the Minister of Communications and Multimedia can determine the fixed price of a spectrum awarded to an existing spectrum holder pursuant to section 161 of the Communications and Multimedia Act 1998. Also at stake is the quality of service to end-users. Consumers are paying a high price but not getting high-speed Internet service that is due.

CAP takes note of the announcement by the Minister of Communications and Multimedia, YB Gobind Singh Deo, that the ministry under his new leadership will focus on improving Internet speed in Malaysia following consumer complaints. We also note his announcement on June 20 that prices of broadband packages are expected to drop by at least 25% later this year. We hope that he will give as much attention to the way spectrum is awarded by the Malaysian Communications and Multimedia Commission (MCMC).

Our Ministry of Communications and Multimedia must ensure that there is transparency in the issuance of spectrum licences. The licence fees must bring much needed and enough revenue to the government, without passing on any burden to end-users, while the quality of the service is maintained at a high level.

S. M. Mohamed Idris
President
Consumers Association of Penang