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Empowered Group of Ministers set to formulate plan for spectrum mortgage

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NEW DELHI: The [telecom department](#) (DoT) has asked the panel of ministers, headed by [Pranab Mukherjee](#), to approve a key policy change permitting telcos to mortgage spectrum and raise funds from banks. The DoT has added this to the agenda of the nine-member Empowered Group of Ministers' (EGoM) next meeting on Thursday.

Recently, the [Reserve Bank of India](#) and the finance ministry had approved the proposal to allow mobile phone companies to mortgage airwaves, a move that will allow telcos to use this scarce resource as collateral and raise funds from banks for the upcoming auctions.

The department has also proposed that the Pranab Mukherjee-headed panel that is overseeing all issues related to the upcoming spectrum auctions, consider a new set of rollout obligations, where new entrants and mobile phone companies that are successful in winning back their permits, compulsorily launch operations in 20 per cent of the block headquarters in every region where they hold airwaves within two years. Earlier this month, the [EGoM](#) had rejected sector regulator Trai's earlier set of rollout norms that were labeled as too stringent and unviable for the sector by mobile phone companies and had asked the telecom department to come up with new guidelines on this.

As reported by ET last week, the RBI had said that banks will be allowed to seize airwaves in the event of a default or cancellation of mobile permits. Banks will enjoy the rights to sell, transfer, assign, exchange and dispose the airwaves without any restraining conditions to protect their interests, RBI said in May 30 communication to the finance ministry. The finance ministry then endorsed the RBI stance and asked the DoT to expedite policy changes to allow spectrum to be used as collateral by lenders of telecom companies.

If the EGoM approves this proposal, it will be vital for the sector as the SC has set an August 31 deadline to complete the spectrum auction. Telcos had warned that they would be unable to pay the minimum price prescribed by sector regulator Trai as banks had stopped lending to telecom companies after the [2G spectrum scam](#).

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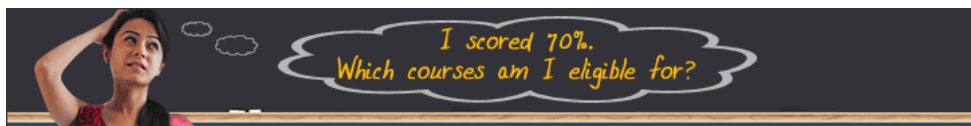
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