

Aircel/TRAI/Corr/2015/ 189

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Sub: Aircel Group Response to TRAI's Consultation Paper on "Valuation and Reserve Price of Spectrum in 700, 800, 900, 1800, 2100, 2300 and 2500 MHz Bands".

Dear Sir,

This is with reference to TRAI's Consultation Paper on "Valuation and Reserve Price of Spectrum in 700, 800, 900, 1800, 2100, 2300 and 2500 MHz Bands" dated 26th November, 2015.

In this regard, we hereby enclose our response to the above mentioned Consultation Paper. The response has also been sent through e-mail at advmn@trai.gov.in; with a copy to trai.jams@gmail.com.

We hope TRAI will take our inputs into consideration.

Yours Sincerely
For Aircel Group



Ramesh K
Assistant Vice President –Corporate Regulatory Affairs

Encl: as stated above

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Aircel Group Response to TRAI Consultation Paper on "Valuation and Reserve Price of Spectrum in 700, 800, 900, 1800, 2100, 2300 and 2500 MHz Bands"

Question-wise Response

Q1. Whether the entire spectrum available with DoT in the 800 MHz band be put for auction? Justify your answer.

Aircel Comments:

Yes, the entire 800 MHz band should be put for auction. Limiting the supply would have following pitfalls:

1. Artificial scarcity may result in irrational bidding and hence disproportionate increase in price of spectrum
2. The Government may not gain maximum revenue due high spectrum price resulting in large quantities of unsold spectrum in a premium band.

Q2. How can the spectrum in the 800 MHz band, which is not proposed to be auctioned due to non-availability of inter-operator guard band, be utilised?

Aircel Comments:

As has been stated earlier by TRAI as well, DoT should harmonize spectrum before putting up for auction, irrespective of the fact whether it is liberalized or not. This will ensure spectrum is used efficiently, maximum revenue realization for the Government and no wastage of precious national resource.

Q3. What should be the block size in the 700 MHz band?

Aircel Comments:

The ecosystem for 700 MHz band today has just begun to develop in few countries and will take a minimum couple of years to witness more commercial deployments globally. Taking clue from this, it is suggested that the auction of 700 MHz spectrum should be deferred by atleast 2 to 3 years. Auctioning it now would mean that only operators or global new entrants with greater financial resources would be able to bid in the auction thereby sidelining serious existing operators.

However, in case our above view does not merit TRAI's consideration then, we recommend that block size should be kept at minimum, i.e. 5 MHz to provide an equal opportunity to existing operators.

Q4. Whether there is any requirement to change the provisions of the latest NIA with respect to block size and minimum quantum of spectrum that a new entrant/existing licenses/expiry licensee is required to bid for in 800, 900, 1800 and 2100 MHz bands. Please give justification for the same.

Aircel Comments:



There should not be any minimum quantum prescribed differently for various categories of licenses. Since spectrum trading and sharing is permitted, it enables operators to enter into agreements to make the spectrum usable amongst them. Hence, irrespective of a new entrant, existing licenses, expiry licensee etc, they should be allowed to bid the same minimum quantum in any of these bands.

Q5. What should be the block size in the 2300 MHz and 2500 bands?

Aircel Comments:

2300 MHz: Currently there is only one pan-India operator on 2300 MHz spectrum. The others would like to complete their pan-India footprint and hence the block size should be kept the same as in 2010 auctions, i.e. 20 MHz.

2500 MHz: The block size of 2500 MHz band could be as per the ITU Option 1 prescribed in the Consultation Paper.

Q6. Considering the fact that one more sub-1 GHz band (i.e. 700 MHz band) is being put to auction, is there a need to modify the provisions of spectrum cap within a band?

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Q7. Is there any need to specify a separate spectrum cap exclusively for the spectrum in 700 MHz band?

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Q8. Should a cap on the spectrum holding within all bands in sub-1 GHz frequencies be specified? And in such a case, should the existing provision of band specific cap (50% of total spectrum assigned in a band) be done away with?

Aircel Comments:

The current spectrum cap ensures that no operator would be able to get undue advantage due to quantum of their spectrum holding. There should be continuity and consistency in such policies and these should not be modified just due to the fact that one additional spectrum band is getting identified for auction.

Also, there is no need to specify exclusive spectrum cap for the sub-1 GHz band since the services / technology offered on both sides of 1GHz is the same (2G/3G/4G or voice/data). Further, there is no need for a separate spectrum cap exclusively for 700 MHz band as the same services are offered in other bands too.

Further, innovating on the spectrum caps norms would mean that different operators would have spectrum bought under different auction rules of spectrum caps – which then have been made part of licenses of the winning bidders. We are not sure how the TRAI intends to make these consistent for the different amount of spectrum being already acquired through auction as well as consistent with the Trading/Sharing policies already announced.



It is also pertinent to highlight that as recent as in Jul'2015, TRAI has opined in favour of retaining existing spectrum cap. We don't feel there is any such change in circumstances (in last 5 months) which may merit consideration of reviewing the spectrum cap rules.

Therefore, it is recommended to continue with the existing spectrum cap of 50% in-band and 25% of overall spectrum, including 700, 800, 900, 1800, 2100, 2300 & 2500 MHz.

Q9. Should 2300 MHz and 2500 MHz bands be treated as same band for the purpose of imposing intra-band Spectrum Cap?

Please support your suggestions for Q6 to Q9 with proper justifications.

Aircel Comments:

Yes, 2300 & 2500 MHz band should be treated as same band, for the purpose of intra-band spectrum cap due to large block size and consequent lower number of operators in 2300 & 2500 MHz band. It may also be noted that in 2010, spectrum in both these bands were earmarked as BWA spectrum. While 2300 MHz band was auctioned, 2500 MHz band was reserved for PSUs. Hence, for spectrum cap purpose these bands should be considered as one.

However, since the TDD-only ecosystem in 2500 MHz band is not as popular as 2300 MHz, we have recommended a shift to ITU Option-1 band plan, as suggested in response to Question No.5 above.

Q10. Suggest an appropriate coverage obligation upon the successful bidders in 700 MHz band? Whether these obligations be imposed on some specific blocks of spectrum (as was done in Sweden and UK) or uniformly on all the spectrum blocks?

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Q11. Should it be mandated to cover the villages/rural areas first and then urban areas as part of roll-out obligations in the 700 MHz band?

Aircel Comments:

Ideally, coverage obligation should be related to the service and not linked with spectrum band. The coverage obligation prescribed in 2015 auctions should be continued for each licensee and band-dependent coverage obligation should be done away with.

With respect to 700 MHz band, we don't foresee any substantial reason to have different coverage obligation compared with other bands/technology. Thus, no separate coverage obligation should be recommended for 700 MHz band.

Q12. In the auction held in March 2015, specific roll-out obligations were mandated for the successful bidders in 800 MHz, 900 MHz, 1800 MHz and 2100 MHz spectrum bands. Stakeholders are requested to suggest:

(a) How the roll-out obligations be modified to enhance mobile coverage in the villages? Which of the approaches discussed in para 2.58 should be used?

(b) Should there be any roll out obligation for the existing service providers who are already operating their services in these bands.

Please support your answer with justification.

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Q13. In the auction held in 2010, specific roll-out obligations were mandated for the successful bidders in 2300 MHz spectrum band. Same were made applicable to the licensee having spectrum in 2500 MHz band. Stakeholders are requested to suggest:

(a) Should the same roll-out obligations which were specified during the 2010 auctions for BWA spectrum be retained for the upcoming auctions in the 2300 MHz and 2500 MHz bands? Should both these bands be treated as same band for the purpose of roll-out obligations?

(b) In case existing service providers who are already operating their services in 2300 MHz band acquire additional block of spectrum in 2300 or 2500 MHz band, should there be any additional roll out obligation imposed on them?

Aircel Comments:

Current rollout obligations of BHQ as per last auction to be continued for all licensees (irrespective of spectrum band) due to following:

- a) It covers a significant portion of the population.
- b) More blocks/categories would leads to confusion/complexity.
- c) DoT has issued Rural SDCA list after more than 4 years of 2010 auction i.e. just few months before the prescribed completion date of 5 years coverage obligation.
- d) Operators are already contributing 5% of AGR towards USOF.
- e) Any more onerous coverage obligation for the 700 MHz Spectrum, will only lead to lower auction participation, consequent lower valuation and lower revenue realization for Government, due to huge CAPEX requirements. This may also stifle level playing field in favour of players having deep pockets and capability to block investments for a longer period.

We recommend to TRAI that there cannot be any change in roll-out obligations for existing service providers, as operators have got the spectrum as per extant NIA/license terms mandating coverage obligations therein, and commercial price have been paid to the DoT. In many of the cases, the coverage obligation had already been met and hence, the contractual terms having been already fructified.

We also suggest TRAI to consider not imposing any fresh / additional rollout obligation in case an existing operator of a spectrum band buys additional spectrum in the same band purely for capacity enhancement.

Q14. Keeping sufficient guard band or synchronization of TDD networks using adjacent spectrum blocks are the two possible approaches for interference management. Considering that guard band between adjacent spectrum blocks in 2300 MHz band is only 2.5 MHz in a number of LSAs, should the network synchronization amongst TSPs be mandated or should it be left to the TSPs for the interference free operation in this band? Please support your suggestion with proper justifications.

Aircel Comments:

Spectrum harmonization in this band may be considered and sufficient guard band may be put between the blocks.



Q15. In case, synchronization of the TDD networks is to be dealt by the regulator/licensor, what are the parameters that the regulator/licensor should specify? What methodology should be adopted to decide the values of the frame synchronization parameters?

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Q16. If synchronization of the TDD networks is ensured, is there a need for any guard band at all? If no guard band is required, how best the spectrum left as inter-operator guard band be utilised?

Aircel Comments:

No specific comments.

Q17. Whether the ISP category 'A' licensee should be permitted to acquire the spectrum in 2300 and 2500 MHz bands or the same eligibility criteria that has been made applicable for other bands viz. 800 MHz, 900 MHz, 1800 MHz and 2100 MHz band should be made applicable for 2300 MHz and 2500 MHz bands also?

Aircel Comments:

No, spectrum should not be allocated to ISP licenses. As per Unified License, 2300 / 2500 MHz is also access spectrum and it should therefore be allocated only under CMTS / UASL / UL(AS) or UL with Access authorization.

Q18. Stakeholder are requested to comment on

(a) Whether the guidelines for liberalisation of administratively allotted spectrum in 900 MHz band should be similar to what has been spelt out by the DoT for 800 and 1800 MHz band? In case of any disagreement, detailed justifications may be provided.

(b) Should the liberalization of spectrum in 800, 900 and 1800 MHz be made mandatory?

Aircel Comments:

Liberalization guidelines need to be consistent for all spectrum bands. Hence, 800/1800 MHz band liberalization guidelines should also be applied to 900 MHz band.

However, liberalization of spectrum cannot be made mandatory and it should only be optional. The spectrum allocated specifically for GSM services is part of the bundled spectrum which came with the earlier UASL & CMTS licenses, for which commercial price has already been paid. It is well settled principle that what cannot be done directly cannot be done indirectly as well. Hence, there cannot be any indirect way to forcibly charge such spectrum in the garb of liberalization.

It is pertinent to bring to your attention that even under contested OTSC matter, DoT has considered the start-up 4.4 MHz as part of UASL/CMTS license.



Q19. Can the prices revealed in the March 2015 auction for 800/900/1800/2100 MHz spectrum be taken as the value of spectrum in the respective band for the forthcoming auction in the individual LSA? If yes, would it be appropriate to index it for the time gap (even if this is less than one year) between the auction held in March 2015 and the next round of auction and what rate should be adopted for indexation?

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Q20. If the answer to Q.19 is negative, should the valuation for respective bands be estimated on the basis of various valuation approaches/methodologies adopted by the Authority (as given in Annexure 3.1) in its Recommendations issued since 2013 including those bands (in a LSA) for which no bids were received or spectrum was not offered for auction?

Aircel Comments:

Yes, March 2015 auction prices with indexation to be taken as spectrum value in respective band. Indexation should not be done if an auction is conducted about 1 year from the previous auction.

For the LSA & band, in which spectrum remained unsold in last auction, TRAI should consider lowering of valuation as well as reserve price.

Q21. Should the value of 700 MHz spectrum be derived on the basis of the value of 1800 MHz spectrum using technical efficiency factor? If yes, what rate of efficiency factor should be used? Please support your views along with supporting documents/literature.

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Q22. Should the valuation of 700 MHz spectrum be derived on the basis of other sub-GHz spectrum bands (i.e. 800 MHz/900 MHz)? If yes, what rate of efficiency factor should be used? Please support your views along with supporting documents/literature.

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Q23. In the absence of financial or non-financial information on 700 MHz, no cost or revenue based valuation approach is possible. Therefore, please suggest any other valuation method/approach to value 700 MHz spectrum band along with detailed methodologies and related assumptions.

Aircel Comments:

We request TRAI recommend that 700 MHz band should not be auctioned at this stage. However, in case TRAI intends to recommend auctioning this band, we suggest that the value of 700 MHz needs moderation and it should be linked to prices of the nearest band i.e. 800 MHz prices of last auction, without using any technical efficiency factor. In the absence of a well-developed ecosystem in 700 MHz band unlike the 800 MHz band, the reserve price of 700 MHz should be kept sufficiently lower (~50%) than 800 MHz band.

Q24. Should the value of May 2010 auction determined prices be used as one possible valuation for 2300 MHz spectrum in the next round of auction? If yes, then how? And, if not, then why not?

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Q25. Should the value of the 2300 MHz spectrum be derived on the basis of the value of any other spectrum band using the technical efficiency factor? If yes, please indicate the spectrum band and technical efficiency factor with 2300 MHz spectrum along with supporting documents.



Aircel Comments:

Yes, the 2010 auction prices with indexation may be used for valuation of 2300 MHz spectrum.

Q26. Should the valuation of the 2500 MHz spectrum be equal to the valuation arrived at for the 2300 MHz spectrum? If no, then why not? Please support your comments with supporting documents/literature.

Aircel Comments:

Since there isn't any difference between these bands, the valuation of 2500 MHz may be considered the same as 2300 MHz band for all practical purposes.

Q27. Is there any other method/approach than discussed above that could be used for arriving at the valuation of 700/800/900/1800/2100/2300/2500 MHz spectrum bands or any international auction experience/ approach that could be used for valuation of any of these bands? Please support your suggestions with detailed methodology and related assumptions.

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Q28. As was adopted by the Authority in September 2013 and subsequent Recommendations and adopting the same basic principle of equal-probability of occurrence of each valuation, should the average valuation of the spectrum band be taken as the simple mean of the valuations obtained from the different approaches/methods attempted for that spectrum band? If no, please suggest with justification that which single approach under each spectrum band, should be adopted to value that spectrum band.

Aircel Comments:

Not recommended.

Q29. What should be the ratio adopted between the reserve price for the auction and the valuation of the spectrum in different spectrum bands and why?

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Q30. Should the realized prices in the recent March 2015 auction for 800/900/1800/2100 MHz spectrum bands be taken as the reserve price in respective spectrum bands for the forthcoming auction? If yes, would it be appropriate to index it for the time gap (even if less than one year) between the auction held in March 2015 and the forthcoming auction? If yes, then at which rate the indexation should be done?

Aircel Comments:

The realized prices of Mar'15 auction with indexation be taken as value of spectrum.
The reserve price may be set at 70% of the valuation.

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