



AUSPI's Response to TRAI's Pre-Consultation on "Allocation of Spectrum in 2G band in 22 Service Areas by auction" dated 3rd February 2012

Without prejudice to our rights and contention, AUSPI is pleased to submit some inputs to TRAI for the Pre-Consultation on "Allocation of Spectrum in 2G band in 22 Service Areas by auction" as follows:

1. AUSPI supports the auction as suggested by the Hon'ble Supreme Court and paying for spectrum which we believe is a scarce national resource, but on a fair and equitable basis.
2. Incumbent operators having maximum Prescribed Limit spectrum of 8 MHz/10 MHz for GSM in circles and metros respectively and 5 MHz/ 6.25 MHz for CDMA in circle and metros respectively should be barred from participating in the auction in order to achieve the level playing field and to prevent monopolization of scarce resource.
3. GSM and CDMA spectrum should be auctioned separately.
4. Hoarding should be prevented by barring operators holding spectrum more than or equal to prescribed limit.
5. There should be two block sizes of 4.4/2.5 MHz and 1.8/1.25 MHz for new GSM/CDMA licenses and existing GSM/CDMA licenses respectively
6. Service providers presently holding spectrum below the contracted amount of 6.2 MHz and 5 MHz for GSM/CDMA should be allocated additional spectrum beyond 4.4/2.5 MHz for GSM/CDMA upto the contracted amount based on the price which has been discovered through auction. Government to make provision for allocation of spectrum upto contracted amount of 6.2 MHz and 5 MHz for GSM/CDMA operators in those cases where application for additional spectrum (1.8 MHz/2.5 MHz)



was pending till September 2011 (as per DoT Website) before placing the spectrum for auction.

7. Any bidder who is eligible to bid for a new unified access license/unified license startup spectrum of 4.4 MHz/ 2.5 MHz GSM/CDMA spectrum be allowed to bid only for one slot of 4.4/2.5 MHz in eligible circles in the auction process.
8. For existing operators with more than or equal to 6.2/5 MHz but less than the prescribed limit may be allowed to acquire additional 1.8/1.25 MHz GSM/CDMA spectrum respectively through a separate auction.

Reserve Price

9. Reserve price must be fair and must incentivize a market price discovery. AUSPI suggests that reserve price should be fixed at the level of auction price of the 4th Cellular license at Rs. 1659/- crore pan India for 1800 MHz spectrum. It may be noted that Rs. 1,659 Crores was the market discovered price for the quantum of 6.2 MHz spectrum. Even though this was market discovered price, AUSPI now recommends this as the base reserve price for 6.2 MHz GSM spectrum i.e. Rs. 267 crores per MHz pan India.
10. There are disadvantages of CDMA spectrum in 800 MHz, such as lower adoption rate, ecosystem, CDMA equipment and devices having much higher prices than GSM devices, lower CDMA ARPU, lower CDMA market for international roaming. Therefore the reserve price should not be more than that of the 1800 MHz spectrum. Thus the value of 800 MHz is less than 1800 MHz and much lower than 900 MHz GSM spectrum.
11. Based on the above logic of Rs. 267 crores per MHz pan India reserve price, the reserve price for additional 1.8 MHz GSM spectrum should be Rs. 480 crores and for 1.25 MHz CDMA spectrum it should be Rs. 334 crores.



12. Inequality created in the past (without any scientific basis) in deciding that lower amount of CDMA spectrum be allocated should be removed immediately and hence TRAI is requested to make suitable recommendation. The inequality can be corrected by adopting our above suggestions on reserve price for GSM and CDMA spectrum.
13. Distortions created in the past since 2001 in allocation of spectrum including upfront allocation of 6.2MHz to incumbents, revising upwards criterion after incumbents already held 6.2MHz and more spectrum, allocation of spectrum beyond contracted 6.2 MHz without onetime payment, allocation of lower spectrum for CDMA without any scientific basis.
14. The pending startup spectrum should be allocated immediately. Hon'ble TDSAT judgment of 4th July 2011 in favour of one of our members need to be implemented. Licenses cancelled as per the recent Hon'ble Supreme Court's order dated 2nd February 2012, should be refunded on pro rata basis for the already paid entry fees of Rs. 1,659 Crores pan India or part thereof .This spectrum obtained through auction should be valid for 20 years period for respective LSA.
15. Existing incumbent operators whose licenses are coming up for renewal in 2014/2015 should not be allowed to participate in this auction.
16. **Auction Format:** Auction format should be such that the auction is concluded before the Hon'ble Supreme Court's order comes into force. The auction model construct should not be the same as used in the 3G and BWA auctions. Inherent features of the model such as activity levels and simultaneous closing of all circles led to artificially higher prices than would have been bid in a normal auction. The construct led to overall revenue maximization from the auction but in the process distorted market prices that would otherwise have been paid.



17. **Payment of bid amount in installments:** TRAI may formulate a yearly payment plan linked to Consumer Price Index / Whole Sale Price Index for winning bid amount. Keeping in mind that the present situation of funding for telecom industry is difficult, the yearly payment of bid amount in installment will help faster rollout and provide affordable services to consumers.