

Response to per-consultation paper for “Allocation of Spectrum in 2G band in 22 Service Areas by auction”

As we know that the honorable Supreme Court has canceled 2G Licenses (spectrum) issued on January 2008 and ordered for auction. But in the changed market condition there is no much appetite for pan-India license. All genuine who got license in 2008 continue to make huge losses even after 2-3years of operation. Moreover it is in justice to ask genuine players to stop operation. The foreign partners must not be penalized for sins of Indian firms who got license illegally. It may damage India’s reputation around the globe.

Keeping in mind above facts, I have a suggestion regarding the 2G deadlock. Our primary preference is to maximize government revenue. Secondly, to protect genuine operators. Unionor, Sistema Shyam Tele, STel have done significant roll-outs in many telecom circles.

On analyzing case of Uninor,

1. Shareholding (approximate)

Unitech=30%

Telenor=70%

2. Contribution by each partner

Unitech= criminally obtained license (spectrum) for 1650crore

Telenor= paid around 7000crore for shares, taken pain of roll-out

In this case license is the only contribution of Unitech in Uninor. Supreme Court ordered for ‘cancellation of license’. Thus Unitech’s contribution is nullified. So Unitech has no right to own shares in Uninor. At the time of buying shares Telenor valued Unitech’s shares base on value of spectrum (license) only. So value spectrum is equal to value of shares in Unitech in Uninor. CAG has pointed out this. So confiscation of shares of Unitech in Uninor by government is equivalent to taking back (value of) spectrum. The sentiments in judiciary is favorable, there won’t be any legal problems. The confiscated shares (30%) maybe be auctioned. By auctioning, the government will be able to get higher amount. As Uninor has rolled out network, the 30% share will get additional value of network and subscriber base. The share may be auctioned in one block or small slots. High net worth individuals, retail investors may be given a chance to buy it (subject to SEBI approval and other regulations). Due to limit on foreign holding, 26% of share will go to Indians. By doing this the main advantage is Telenor need not pay any more license fee and unitech will not continue to benefit from work done by Telenor. This is a genuine solution for government as well as telenor.

In case of Sistema shyam Tele

<!--[if !supportLists]-->1.<!--[endif]-->shareholding(approx)

shyam group= 24%

sistema group=74%

> others= 2%

> <!--[if !supportLists]-->2.<!--[endif]-->Contribution by each partner

Shyam group= obtained license (1650 crore)

Sistema group= bought shares(1000's of crore)

Sistema is owned buy Russian Government. India have long standing relationship with Russia. As mentioned in the case of Uninor, same procedure maybe followed in case of Sistema Shyam,. Sham groups shares (24%) maybe be confiscated and auctioned.

In case of STel Sivasankaran group is buying back Batelco, It will become an Indian firm. They have significant rollout in some telecom circles. Considering all factors appropriate decision maybe taken. STel may wind up operations.

Etisalat DB, Loop telecom, Videocon have no significant rollout of networks. They need not be protected. Protecting Telenor, Sistema and STel is not arbitrary. They are protected because they are genuine operators, invested heavily and rolled out networks. (roll out obligation).

In case of older players (Idea, Tata) auction similar to 3G maybe done. The base price of pan India license (spectrum) maybe similar to 3G auction base price (around 4000 Cr)

These suggestions are made from my small sphere of knowledge. Be kind enough to forgive any mistakes that occurred.

Paul jose

House No: 8/683

Kanjirapally, Kerala

Pin 686507

Mob: 09895354698

