

To

The Advisor (NSL)
TRAI, New Delhi.

Kindly refer to the consultation paper on “ Reserve Price for Auction of Spectrum in 800 MHz Band” dated 30.12.2013. The question wise comments of MTNL are as follows:

Q1. What should be the quantum of spectrum in the 800 MHz band that should be put up for auction?

Comment:

As such, no specific comments on the quantum of spectrum that should be put-up for auction. However, we would like to give comments on the issue related to MTNL mentioned at page no. 10 of consultation paper where it has been mentioned that MTNL should vacate all the carriers of 800 MHz band assigned to it in both Delhi and Mumbai and number of carriers that may be available after surrender /withdrawal of spectrum by MTNL has been shown in Table 2.5 of page 11 of consultation paper. Regarding surrender / withdrawal of all the CDMA carriers by/from MTNL, as earlier represented to the Authority in the matter, we would like to reiterate our stand / position in this regard as per below:

- (i) MTNL has already invested huge CAPEX and OPEX in CDMA business. In case of withdrawal of both the CDMA carriers from MTNL, the CDMA services will be discontinued & all of its investment will go waste.
- (ii) The existing 2 carriers were allotted along with CDMA license and withdrawal of carries in 800 MHz band will render CDMA license redundant.
- (iii) In the sagging financial health / position of MTNL, withdrawal of carriers in 800 MHz will be business discrimination towards MTNL particularly considering the fact that Govt will be liberalizing the spectrum. This becomes critical for keeping MTNL's option open for 4G Technologies considering that MTNL has already surrendered the BWA spectrum.

Q2. What should be the block size in the 800 MHz band?

Comment:

The 800 MHz band is primarily being used for CDMA services in India and the per carrier bandwidth in CDMA is 1.25 MHz. Accordingly, in our opinion the minimum block size of spectrum that should be put up for auction in each LSA should be 1.25 MHz. Further, since the 800 MHz band is liberalized, i.e. any technology can be deployed in this band, if required, the operator can acquire at least 5 MHz (4 carriers of 1.25 MHz each) in this band and deploy E-GSM / LTE services. This way the 800 MHz band can be used in more liberalized way.

Q3. Should the value of 800 MHz spectrum be derived on the basis of the value of 1800 MHz spectrum using technical efficiency factors as discussed above?

Comment:

In our opinion, if the authority is willing to use the 800 MHz band for deployment of CDMA services only then the earlier price valuation criteria can be adopted. However, if the proposed 800 MHz spectrum is to be kept as liberalized spectrum i.e. technology neutral and operator is free to deploy any technology like CDMA or LTE etc, the value of spectrum should be at par with 900 MHz spectrum.

Q4. Is there any case for application of a lower efficiency factor (1.3) over the valuation of 1800 MHz spectrum, for determining the valuation of 800 MHz, as was done in the previous auction? If yes, give detailed reasons for the same.

Comment : No comments.

Q5. Should the value to be paid for 800 MHz spectrum be based upon the potential growth in data services? If yes, please state whether you agree with the assumptions made.

Comment:

It is a well known fact that in times to come operators will have to rely on enhanced and efficient data usage to recover the cost of spectrum. Hence it becomes logical to factor in the potential growth in data services.

Q6. Should the value of spectrum in the 800 MHz band be assessed on the basis of producer surplus on account of additional spectrum? If you are in the favour of this method, please furnish the detailed calculations and relevant data along with results.

Comment:

Considering the continuous growth & demographical changes of big cities, the proposal adds to the subjectivity. Hence particularly in case of Metro district it should not be adopted.

Q7. Should the value of spectrum in the LSAs in India for 800 MHz be determined by utilizing the data on international prices? What other variables do you suggest for arriving at robust value estimates using the multiple regression approach? Is there any alternate approach for valuation of spectrum in 800 MHz using the data on international auctions?

Comment:

In our opinion once we are adopting the auction route for deriving fair price of spectrum, it is not advisable to take reference of International prices for arriving at base price because of the following reasons:

“The price of the spectrum depends upon the tariff of telecom services, paying capabilities of the user, the availability of spectrum, the number of targeted users, the financial condition of the country and its people etc.”

Q8. Apart from the approaches discussed above, is there any alternate approach for valuation of spectrum in 800 MHz that you would suggest? Please support your answer with detailed data and methodology.

Comment: No further comments than what has already stated above.

Q9. What should be the ratio adopted between the reserve price for the auction and the valuation of the spectrum? Would it be optimal to fix reserve price equal to valuation of spectrum?

Comment: In order to derive a market driven fair price, the reserve price may be kept between 50-60% of the valuated price.

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