



## **CDROME Response to TRAI consultation on Valuation and Reserve Price of Spectrum**

CDROME would like to compliment TRAI for their efforts in bringing out this consultation paper on Valuation & Reserve Price of Spectrum.

### **Response to Specific Questions:**

**Q.3. Is any restriction required to be imposed on the eligibility for participation in the proposed auction?**

**CDROME View:** Any one should be able to participate in the proposed auction, subject to the fulfillment of the laid down criteria/ conditions. The eligibility conditions stipulated in the last auction of 2013 may be considered for the current auction also.

**Q.5. should roll out obligations for new/existing/renewal/quashed licenses be different? Please give justification in support of your answer.**

**CDROME View:** There should not be any roll out obligations for any new licensee. The reason is simple, the roll out condition was nescerrearly till 2003, but after 2003 many new operators took the licenses & put multiple efforts to address very few people in rural areas. The results have been wastage of national resources. So this should be stopped now.

**Q.6. Is there a need to prescribe additional roll-out obligations for a TSP who acquires spectrum in the auction even if it has already fulfilled the prescribed roll-out obligations earlier?**

**CDROME View:** AS mentioned above, for new licensees there should not be any roll out conditions. The roll out conditions of the existing licensees should be full filled by them.

**Q.9. would it be appropriate to use prices obtained in the auction of 3G spectrum as the basis for the valuation in 2013? In case the prices obtained in the auction of 3G spectrum are to be used as the basis, what qualifications would be necessary?**

**CDROME view:** Yes, the 3G auction price was the correctly discovered price. Otherwise, the market forces will distort & pressurize the government to sell assets at much lower than the reasonable price. Precisely because of which TRAI has asked for this consultation with the ultimate aim of reducing the reserve price. This is what TRAI did in 2012 also when it recommended that the licenses fees should be paid in instalments & NPV of the lowered price is much lower & huge loss to government.

**Q.10. Should the value of spectrum for individual LSA be derived in a top-down manner starting with pan-India valuation or should valuation of spectrum for each LSA be done individually?**

**CDROME View:** The valuation of spectrum for each LSA should be assessed independently and separately, as the parameters of demography, economy, etc. which are important factors for the business case, are different for each LSA.

**Q.11. Is indexation of 2001 prices of 1800 MHz spectrum an appropriate method for valuing spectrum in 2013? If yes, what is the indexation factor that should be used?**

**CDROME View:** As answered above, the 3G auction discovered price is the right base & indexing should be done with that.

The market potential, level of competition and various other conditions, etc. were totally different in 2001 as compared to today. Hence, the prices of 2001 have no relationship with the valuation today. Therefore indexation of 2001 prices to determine the valuation today is not appropriate. In view of above, second part of the question is not relevant.

**Q.12. Should the value of spectrum in the areas where spectrum was not sold in the latest auctions of November 2012 and March 2013 be estimated by correlating the sale prices achieved in similar LSAs with known relevant variables? Can multiple regression analysis be used for this purpose?**

**CDROME View:** As answered above, there is no need to reduce any reserve price than the 3G discovered & indexed for present price. Also only two spots of 7.5 Mhz in 1800 Mhz should be auctioned, to get the real value.

In case TRAI recommends auction of entire spectrum, than it is will a matter of oversupply. In any case, the reserve price should be same as indexed 3G discovered price.

**Q.13. Should the value of spectrum be assessed on the basis of producer surplus on account of additional spectrum? Please support your response with justification. If you are in favor of this method, please furnish the calculation and relevant data along with results.**

**CDROME view:** These methods were relevant before 3 G auction, but once a price has been discovered, it is best to go with that, rather than finding ways to reduce the reserve price & favor few selective operators.

**Q.14. Should the value of spectrum in the 1800 MHz band be derived by estimating a production function on the assumption that spectrum and BTS are substitutable resources? Please support your response with justification. If you are in favour of this method, please furnish the calculation and relevant data along with results.**

**CDROME view:** Answered above.

**Q.15. Apart from the approaches discussed in the foregoing section, is there any alternate approach for valuation of spectrum that you would suggest? Please support your answer with detailed data and methodology.**

**CDROME view:** Again, asking the questions, which may justify (*if picked selectively*) reducing the 3G Indexed price discovery is futile exercise.

**Q.1. What method should be adopted for refarming of the 900 MHz band so that the TSPs whose licences are expiring in 2014 onwards get adequate spectrum in 900/1800 MHz band for continuity of services provided by them?**

**CDROME view:** All bidders should be allowed to bid for the following:-

I. Maximum 2.5 Mhz in 900 + Maximim 5 Mhz in 1800 Mhz.

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II. Maximum 7.5 Mhz in 1800 Mhz only & 900 should be used for security & others.

**Q.2. In case spectrum is to be "reserved" for such TSPs, should it be restricted to licences expiring in 2014 (metros) or include licences expiring afterwards (LSAs other than metros)?**

**CDROME :** Nothing should be reserved for any body. The TSP whose licenses are expiring in 2014, should not be given any advantage, whatsoever of any kind.

**Q.4. Should India adopt E-GSM band, in view of the diminishing interest in the CDMA services? If yes, CDROME view:** There is no need to adopt any technology. Just allow bidders to use any technology in any band.

**a) How much spectrum in the 800 MHz band should be retained for CDMA technology? CDROME view:** Minimum 7.5 Mhz for each licensee.

**b) What are the issues that need to be addressed in the process? CDROME view:** There is nothing to address, just allow use of any technology in any freq.

**c) What process should be adopted for migration considering the various issues involved? CDROME view:** Answered above.

**Q.7. What should be the framework for conversion of existing spectrum holdings into liberalised spectrum?**

**CDROME View:** The existing licensee must pay the difference in the new discovered price & what they paid before (after rationalizing ).

**Q.8. Is it right time to permit spectrum trading in India? If yes, what should be the legal, regulatory and technical framework required for trading?**

**CDROME View:** No spectrum trading should be allowed, under any conditions.

**Q.16. Should the premium to be paid for the 900 MHz and liberalised 800 MHz spectrum be based on the additional CAPEX and OPEX that would be incurred on a shift from these bands to the 1800 MHz band?**

**CDROME View:** Again, asking the questions, which may justify (if picked selectively) reducing the 3G Indexed price discovery is futile exercise

**Q.17. Should the valuation of spectrum and fixing of reserve price in the current exercise be restricted to the unsold LSAs in the 1800 MHz band, or should it apply to all LSAs?**

**CDROME View:** Again, asking the questions, which may justify (if picked selectively) reducing the 3G Indexed price discovery is futile exercise

**Q.18.**

**a) Should annual spectrum usage charges be a percentage of AGR or is there a need to adopt some other method for levying spectrum usage charges? If another method is suggested, all details may be furnished.**

**CDROME View:** Suggested below.

**b) In case annual spectrum usage charges are levied as a percentage of AGR, should annual spectrum charges escalate with the amount of spectrum holding, as at present, or should a fixed percentage of AGR be applicable?**

**CDROME View:** Over & above the existing Spectrum usage charge, It should increase by 2% for every Mhz above 5 Mhz.

**c) If your response favours a flat percentage of AGR, what should that percentage be?**

**CDROME View:** Answered above.

**Q.19. What should be the ratio adopted between the reserve price for the auction and the valuation of the spectrum?**

**CDROME View:** Not Clear.

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