

Q 1. What should be the date of migration for FM Radio operators to migrate from Phase-II to Phase-III?

We propose that the migration to the new regulations governing Phase III i.e. signing of Grant of Permission Authority (GOPA) should be 30th May 2014. However, the new 15 year license period and migration fees payment thereof should be from the specific end date of the individual FM licenses for each city.

Justification

1. Since all operators have paid in advance a sum of money for a ten year license, it is only fair that the entire ten year period is completed before new fees are paid.
2. Moreover most of the radio operators are running into losses and some of them have just reached breakeven, therefore it would only be fair that the 15 year license period and migration fees payment thereof should be upon the expiry of the 10 year license under Phase II.
3. The TRAI consultation paper has stated an option that migration date be decided after fresh auctions. Even after nearly 2 years of the announcement of phase III auctions in President of India's address to Parliament dated 12th March 2012, there is no confirmation of the date of auction. Since some of the licenses of Phase II will expire from 31st March 2015, we strongly urge that the migration should happen at the earliest in the interest of the stakeholders and the survival of the industry.

One of the preconditions for migration was to get a clearance from BECIL for payment of all outstanding dues and to resolve all the disputes with existing FM radio permissions/operations. We believe this precondition should be set aside.

Q2. Do you agree that period of permission of the existing Phase-II operators, on their migration from Phase-II to Phase-III, should be 15 years from the date of migration? In case the answer is in the negative, please suggest the alternative period of permission?

We totally agree that the period of permission should be 15 years from the date of expiry of 10 year license under phase II. This will also be consistent with the period of Phase-III licenses.

Q3. Do you agree with the methodology of charging migration fee, as NOTEF minus the residual value of Phase-II license, from the existing Phase-II operators on their migration from Phase-II to Phase-III? In case the answer is in the negative, please suggest the alternate methodology to charge the migration fee.

No, we do not agree with the methodology indicated in the consultation paper for the following reasons:

- a) As per the MIB's plans, Phase-III auctions are being conducted only for a limited number of "left-over" frequencies in the major markets. As an example, there is only one frequency on auction in Delhi (out of total nine) . Making the bid for this single frequency the migration fee for all other frequencies in this city will be completely lopsided and unfair.
- b) There are several cities like Kolkata, Indore and others where no Phase-III auctions are taking place. How will the migration fee in these cities be determined then?
- c) Like mentioned earlier, there is no certainty about the timing of the Phase-III auctions.

Proposed Methodology

Therefore we propose that the formula for migration should be: either:

- A. The fees for migration, along with extension for 15 years from the date of migration, should be average of the Phase 2 bids in each city

OR

- B. The fees for migration, along with extension for 15 years from the date of migration, should be equal to the highest of the Phase 2 bids in each city .

Justification

1. In phase 2 reserve price was 25% of maximum bid. . It may be noted that almost 25% of phase 2 frequencies put up for auctions were not successfully bid for at the reserve price and are lying vacant. It may also be noted that under auction policy of Phase 3, the price determined will be a common minimum price acceptable when bidders equal frequencies put up for bid, subject to a minimum reserve price. There will no average or highest, just the same accepted price. Therefore the only way to equate the two auctions is to take minimum as a base.
2. The amendment to reserve price (phase 3 vs phase2) makes reserve price in Phase 3, four times higher as compared to phase 2. On the other hand the industry has witnessed a 40 percent drop in Effective rate of advertisement from the time phase 2 was launched till now. The new minimum price therefore far more than covers for inflation and increase in time period even though there has actually been a deflation.

3. Therefore the highest bid for a city in phase 2, is the maximum price that should be payable by Radio Operators for a 15 year license extension. However a fair value could be average based/
4. This is also the reserve price at which government under FM Phase 3 policy will auction a frequency.
5. However the reserve price for phase 3 auctions cannot be the base price for migration as the reserve price is yet to be tested in the forthcoming auctions . The industry feels it is on a higher side wherein many cities will have no bids

Q 4. Stakeholders may also provide their comments on any other issue relevant to the present consultation.

We request that a deferred payment plan for NOTEF be considered.

The recent spectrum auction polices for Telecom have a deferred payment plan The same benefit should be allowed to the FM Radio industry, which as an industry , has just about reached break even stage and the industry now needs to invest not only in extension but also in a massive growth jump in terms of number of stations and cities covered.

Therefore we propose a staggered payment of NOTEF as follows,

1. An Upfront Migration Fees of 10%
2. Moratorium Period of 2 years
3. Balance payment to be Annually over the balance period of thirteen years.