



**RESPONSE TO TRAI CONSULTATION PAPER NO: 12/2013
MIGRATION OF FM RADIO BROADCASTERS FROM PHASE 2 TO PHASE 3**

Date: December 19, 2013

Mr. Sunil Kumar Singhal
Advisor (B&CS)
Telecom Regulatory Authority of India
sksinghal@traf.gov.in

Please find our responses to the above mentioned paper.

Q1. 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 1st April 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. The existing Phase II operators can provide an undertaking that the appropriate migration fees will be paid upon the expiry of the ten year license period. 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.

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.

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

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.

We are **NOT** in agreement with the proposed methodology of charging migration fee as detailed in the consultation paper and we propose the following method of price discovery

“Migration fee should follow the principal followed in migration from Phase I to Phase II and should be computed as the average of the OTEF of bids in that city for a period of 15 years”

Justification

The average of the OTEF bids was the principal followed when operators migrated from Phase 1 to Phase 2 and we believe that was a fair methodology. Post that the industry has seen a major upheaval not only in terms of two economic slowdowns but also a drop in ERs from the Phase 1 to Phase 2 of nearly 30% to 40%. The Phase 2 bids were calculated using higher ERs as base calculations and have proved to be significantly draining for the industry reeling under the pressures of price drops.

The average formula if applied to Phase 2 entrants will reveal that at least 30% of the players who entered Phase 2 with lower than the average bids would not have been eligible at that stage to avail of the licenses resulting in that many more frequencies going vacant. The same average if applied today will result in a higher and improved inflow for the exchequer than in Phase 2 for the same set of frequencies and thus be a fair formula both for the government and for the industry.



Q4. 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 policies 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,

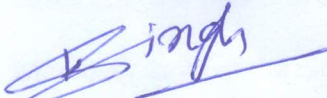
1. An Upfront Migration Fees of 10%
2. Moratorium Period of 2 years
3. Balance payment to be annually over the balance period of thirteen years.

We hope our views are taken into consideration and look forward to providing any further inputs that may be required for speedy resolution of this matter

Thanking you,

Yours faithfully

For Music Broadcast Private Limited


Authorised Signatory

