



AROI comments on Consultation Paper on Reserve Price of auction of FM Radio Stations.

We thank TRAI for issuing this consultation paper before auctions of new radio stations as also of balance frequencies left over in the auction of existing cities.

The last batch of frequencies auctioned failed (with less than 25 percent frequencies offered being bid for) due to over pricing of minimum reserve prices . Subsequent Trai recommendations have corrected certain anomalies. However flaws remain in auction methodology which may adversely affect new auctions, specially in C & D category cities where there is little interest due to low revenue possibility and the high fixed cost (annual fees, prasar bharti fees , spectrum fees etc),

The flaw is in the approach. In phase 2 auctions (which was a closed auction, with secret bids) , bids of 25 percent and above of the highest bid were considered successful and allocated. While acknowledging the right of Trai and Government to fix a minimum value, the objective of expanding FM network into new towns should not be overlooked, because

- a. In most of towns there is little or no professional media to share local news and information which is an essential component of democracy
- b. A professional media will create economic opportunities through advertising opportunities and large reach .

Therefore considering the practice followed in phase 2 auctions, we request that 25 % factor instead of 80 percent factor applied to the fair extrapolated market values, be taken to fix the minimum reserve price. This will ensure greater participation and successful bidding. There will be gain to Government as highly successful auctions ensure that less frequency will lie dormant which give no contribution to Public Exchequer.

Aroi therefore recommends

Reserve Price = 0.25 x Valuation Price (Currently 0.8 x valuation price)

Alternatively, the auction could start at 70 percent of fair values as estimated by Trai, but if there are less bids than frequencies then the reserve value be lowered in stages (say 60%, 50%, 40 %.., 25%) till bids equal or exceed the number of frequencies available.

In addition to above , we give below our comments on specific questions asked in the Consultation paper, below.



Q1. Do you agree that the methodology used in TRAI's recommendations dated 10th April 2020 for determining reserve prices of FM Radio channels should be used for determining reserve prices of FM Radio channels in the cities of Bilaspur, Rourkela and Rudrapur?

- a. If yes, please provide a detailed justification for your views.
- b. If no, please suggest an alternative approach/ methodology with details and justifications.

As stated in our main comment above the factor applied on derived valuation should be 0.25 and not 0.8 (25% instead of 80 percent).

While acknowledging the right of Trai and Government to fix a minimum value, the objective of expanding FM network into these towns should not be overlooked, because

- c. In most of towns there is little or no professional media to share local news and information which is an essential component of democracy
- d. A professional media will create economic opportunities through advertising opportunities and large reach .

This will ensure greater participation and successful bidding. There will be gain to Government as highly successful auctions ensure that less frequency will lie dormant which give no contribution to Public Exchequer.

Aroi therefore recommends

Reserve Price = 0.25 x Valuation Price (Currently Trai has used 0.8 x valuation price)

Q2. Due to non-availability of updated radio listenership estimates data and Market Intensity Index, whether the same data, as used in 2020 recommendation, can be used in the present exercise as well? In case the answer is no, which alternative data/methodology can be used for the same purpose?

Aroi agrees that 2019 IRS listenership survey be taken for listenership estimates of this exercise.

Q3. Should a multiplication factor of 0.7 be used for estimating the reserve price from average valuation of FM Radio channels?

The multiplication factor should be 0.25 for reasons stated in our main comments and in our response to question 1.

Alternatively a drop down reserve price be used as described in our main comment, viz..

the auction could start at 70 percent of fair values as estimated by Trai, but if there are less bids than frequencies then the reserve value be lowered in stages (say 60%, 50%, 40 %.., 25%) till bids equal or exceed the number of frequencies available.

Q4. How should the reserve prices for 18 cities identified by MIB in hilly states/UTs be determined:
- a. Whether it should be kept at Rs. 5 lakh as like cities of 'Others' category?



b. Whether any other methodology to be used for determining the reserve price in these cities ?
Please support your response with proper justification(s). 27

The Reserve Price could be kept at Rs 5 lacs.

Special incentives need to be also given as the population in these area is economically weaker, therefore the annual license fees should be kept at 4 percent of net Revenue (and not higher of 2.5% of auction fees, NOTEF, or 4 percent of Revenue) .

Prasar Bharti and spectrum fees should also be exempted as most of these areas are in border and the radio operator chains will be mostly operating there in interest of the Nation.

Q5. Besides the Technical parameters i.e. Effective Radiated Power (ERP) and Antenna Height (EHAAT)] as proposed by MIB for category 'E', should the provisions related to the 'Financial Competence', 'Number of Frequencies' and 'Annual Fee' applicable to the 'Others' category under Phase-III policy guidelines be made applicable to category 'E'? If not, what provisions should be prescribed for these parameters? Please support your response with proper justification(s).

Please see our comments to Question 5. The same apply here also.

The Technical parameters need to be increased (specially ERP) so that the broadcasts of secular and democratic nature reach beyond borders . The unfriendly border countries are in fact doing the same, reaching into our country with their divisive ideologies.

Q6. Stakeholders may also provide their comments/ suggestions on any other issue that may be relevant to the present consultation.

Please see our main comments before Question 1 and in Question 1.

We trust acceptance of our comments and suggestions will ensure a vibrant and successful auction process.

Uday Chawla
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AROI