

**SOME BROAD COMMENTS ON THE ISSUE OF SPECTRUM MANAGEMENT  
(CHAPTER 4, QUESTION NO. 57 OF THE CONSULTATION PAPER)**

I will request the Authority to go through the Spectrum Framework Review (SFR) Consultation Document prepared by OFCOM in November 2004, and SFR Statement published in June 2005. These documents which are available in the public domain give the best international practice, to optimally manage spectrum. The SFR statement sets out the general approach adopted by OFCOM on spectrum management. This approach has been summarized in the OFCOM Spectrum Vision document. The main points of which are summarized below:

- i. Spectrum should be free of technology and usage constraints as far as possible. Policy constraints should only be imposed where they can be justified.
- ii. It should be simple and transparent for licence holders to change the ownership and use of spectrum; and
- iii. Rights of spectrum users should be clearly defined and users should feel comfortable that they will not be changed without good cause.

Through the consultation, OFCOM has concluded that auction mechanism is likely to be a more efficient process in terms of outcome than other processes such as ‘first come first served’ or a beauty contest, and therefore better able to promote the optimal use of this scarce national resource. Subject to the details of its design, the auction should allow the market – which has more information available to it – rather than the regulator to determine who are most likely to be the most efficient users of the spectrum bands, by assigning licenses to users with the highest valuation. Ofcom also considers that the clear and simple criteria to identify the winning bidders in an auction offer the most open, transparent and non-discriminatory method out of those available for determining the licensees of the spectrum bands, among a number of candidates. This is because in auctions, a bidding process is used to award licenses to those bidders prepared to pay most for them. Auctions are therefore likely to lead to the spectrum rights being assigned to users that value them most highly which will be those who are likely to use the spectrum most efficiently. According to OFCOM, a first come first served process would not be appropriate, as demand for spectrum bands is likely to exceed supply. As the first applicants may not be those who make the most efficient use. A comparative selection or beauty contest would not be appropriate because of risks to objectivity.

In the light of the above, for all new licenses such as 3G & 4G services, spectrum allotment should be based on a transparent auctioning process in line with the best international practice. In Europe, a large number of European countries such as UK, Germany, Netherlands, etc. have chosen the auction method to find out the true market value of this scarce national resource. In the US, the Federal Communication

Commission (FCC) has been conducting auctions since 1994, and US Treasury has been quite happy to receive billions of dollars so collected.

In my view the present mess of hundreds of UASL licenses being issued on 'first come first served' basis owes its genesis to the so-called unification of the basic services (fixed) and cellular mobile services under one omnibus umbrella called 'Unified Access Service'. It will be better to break this ambiguous category of Access Service into two clear cut categories called Access Service (wireline) and Access Service (wireless). For the former as there is no scarce resource which is required to be allotted by the government, therefore the 'first come first serve' principle can perhaps be retained. For Access Services (Wireless), where demand will be much more than the supply of the spectrum bands, there is no option but to adopt the state-of-the-art method of auction for initial as well as subsequent allocation of the spectrum. The initial quantum of the spectrum could be bundled with the license.

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