



March 21, 2012

To
The Chairman
Telecom Regulatory Authority of India
Mahanagar Doosanchar Bahwan
Jawahar Lal Nehru Marg (Old Minto Road)
New Delhi 110002

Kind Attn: Dr J S Sarma
Sub: Telenor Group`s comments on "Auction of Spectrum"

Dear Sir,

We thank you for the opportunity to provide our input.

As you know, Telenor Group is the majority shareholder of Unitech Wireless (Tamilndau) Pvt Ltd (operating under brand name "Uninor") and is a large international mobile operator with over a decade of operational experience in Asia.

Please find attached our comments on TRAI`s consultation paper on "Auction of Spectrum". Our comments should be seen in context of the written response submitted by Uninor.

Yours sincerely,
for **Telenor Group**


Morten Karlsen-Sorby
EVP, Head of Group Strategy and Regulatory Affairs

CC: Mr. Sudhir Gupta, Pr Senior Advisor (MS), TRAI

Encl: Telenor Group`s comments on "Auction of Spectrum"

CONSULTATION SUBMISSIONS TO TRAI

Telenor Group Statements

Referring to the Telecom Regulatory Authority of India ("TRAI") consultation on "Auction of Spectrum", dated 7th of March 2012, Telenor Group – as a major foreign investor in the Indian mobile market – would like to make a number of important statements. These should be seen in context of the written response submitted by our operating entity Uninor on March 21, 2012.

Telenor is a long-term responsible investor in the Asian telecom markets with high attention and standards on compliance with all laws and regulations. In light of this, our investments over the past years into the Indian telecommunication sector were based upon the stated policies of the Government of India aimed at the deliverance of increased retail competition. Taking due account of the fact that the entire basis of the 2007/8 2G process was to increase competition; the strong involvement of Telenor Group has delivered on these objectives. We strongly believe that free and fair competition will benefit the customers and society at large. However it is clear that new/cancelled parties and incumbent operators cannot be viewed as similarly placed private parties in the upcoming auction design as this would give distinctly unfair competition. .

The auctions should be designed in light of the Hon'ble Supreme Court order. The intent of this order was to reset the 2008 process of allocating licenses and spectrum.

It is to be noted that eligibility in 2008 was open to fresh applicants only, wherein licenses bundled with spectrum were issued. Therefore, this licensing structure precluded the issuance of any spectrum to existing licensees. In the current case, the Supreme Court has effectively stepped back to 2008 and has judged that:

- The first-come-first-served policy used by DoT in 2008 was flawed.
- The manner of implementation of the policy, by fixing a certain cut-off date was arbitrary.

To correct the above situation, the Supreme Court has ordered that "*TRAI shall make fresh recommendations for grant of license and allocation of spectrum in 2G band*". In recognizing that those eligible applicants who had applied well before the cut-off date were unfairly treated, the Supreme Court has said the procedure adopted for distribution should be just, non-arbitrary and transparent and that it should not discriminate between similarly placed private parties. The spirit and letter obviously is to ensure that all the then eligible parties should have been treated at par while selecting the successful licensees. In light of this, we believe that the

inclusion of complicating elements such as re-farming, 700MHz timing and other issues should be subject to separate consultations and not form part of this process.

Taking due account of the short timelines mandated by the Supreme Court, it is of paramount importance that the TRAI recommendations are simple, fair to parties who have made their investments in good faith in the 2007/8 2G process, and that such recommendations are compliant with both policy and Supreme Court's intentions and capable of meeting the required timeframes.

We believe that the Supreme Court's short timelines were intended to lessen the impact on parties whose licenses have been cancelled and their operations. Clarity as to their ongoing operations is crucial and should be of paramount importance to the Government of India. It is clearly in the public interest that all parties make every effort to keep to the timelines outlined in the ruling, and we are encouraged that TRAI has, up to this point, delivered in line with the timeline given by the Supreme Court. However, to ensure that public interest and competition is maintained and the time-limits complied with, it is of extreme importance that TRAI completes their recommendation urgently in order for DoT to complete their process within the Supreme Court's timeframes.

To safeguard competition in the interests of the Indian society and to make sure the Supreme Court Judgment is followed, we propose the following key elements and way forward:

- The auction of the 1800 MHz spectrum should have the same rules as the simultaneously ascending e-auction as for the 2100 MHz ("3G auction") in 2010. It is further important that flexibility on funding be put in place and that temporary exceptions granted in relation to foreign ownership rules as was done in the recent 3G auction. This auction should have the same reserve price per MHz as the 3G auction, but be adjusted for inflation if required.
- The auction should be run in a multi stage process:
 - In the initial stage only (i) entities who presently do not hold any telecom licences and (ii) those operators whose licences stand cancelled pursuant to the Supreme Court Judgment should be allowed to participate.
 - In the initial stage investors that will have their licences quashed should be allowed to participate through current or new entities.
 - In the initial stage a minimum of 2 blocks of 6.2 MHz should be assigned in all 22 circles

- The initial stage should be completed and fresh licenses and spectrum issued before 2 June 2012.
- Subsequent stages should contain all available spectrum, including what is left over from the previous stage(s), and should be offered to all qualified license holders. Smaller lots of spectrum should be made available for bidding.
- Payment for the new licenses should be structured as a deferred payment schedule with an up-front payment of 25% of the approved bid price in the auction paid soon after the auction and the remaining 75% payable in equal installments over 10 years. This will enable operators to focus on expansion of their network and services as in 1999. At that time a revenue share regime for licence fee combined with an entry fee was introduced to enable the fledgling operators (current incumbents) to achieve sufficient scale.

The principle of competition is essentially based upon the fact that competing parties enjoy parity on all structural issues. In this regard, it will be very challenging for Telenor and other newcomers to make the required capital and human investments if the appropriate balance between the competing parties is not achieved in the forthcoming process. We believe that there are no impediments contained in the Supreme Court ruling for TRAI or the Government of India to design an auction structure which ensures that the current level of competition is maintained and we view that the structure outlined in this submission fully complies with these important principles. So long as the steps outlined above are carried out, the Government of India can ensure that the mandate of the Supreme Court judgment which was to ensure that all the parties who were eligible to participate in 2008 will have been treated on par as well as the objective of securing the interests of genuine investors, will have been achieved. We take it as given that the Government of India policies pertaining to delivery of consumer welfare through competition is valid and that the auction design and framework principles fully reflect such policies and only aims at correcting the elements contained in the Supreme Court's judgment. In this way level playing field could be ensured to the actual situation prior to the Supreme Court ruling.

The Indian consumers and society has been the main beneficiary of the increased competitive landscape. These benefits have been a direct result of the Government's focus on a policy of increased competition and efficiencies, and private parties who have made significant investments in good faith. The benefits of competition, if not safeguarded through the 2G auction recommendations undertaken by the TRAI, could be severely affected to the detriment of the public interest, which must be avoided by TRAI and the Government of India.

All possible efforts should be made to prevent disruption of services offered by operators affected by the verdict of the Supreme Court. It is of crucial importance that procedures are

established to take care of our customers in the transition from old to new licenses. Without such safeguards our long term competitiveness and the strong market position that we have been able to build would be seriously affected to the detriment of all affected stakeholders.

As outlined above, it is imperative that the auction structure and format makes it possible for any new / cancelled party, to effectively compete with the well entrenched incumbent operators. Failure to achieve this important policy principle will ultimately make it very challenging for any new / cancelled party to participate in the auction and as a consequence the retail competition will be greatly diminished, where the ultimate cost will be borne by the Indian consumer. For incumbent operators participation in auction(s) will be a business choice, where any failure to attract new entrants would most probably have a significant impact on the achieved price for the spectrum combined with a reduced market competition.

In relation to Questions 1-36 in the consultation paper, we refer to the extensive response given by our operating entity Uninor.