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SSTL Counter Response to TRAI Consultation Paper on Valuation and Reserve Price for Auction of Spectrum: Licences expiring in 2015-16

Sistema Shyam Teleservices Ltd (SSTL) had submitted its comments on TRAI Consultation Paper on Valuation and Reserve Price for Auction of Spectrum- Licences expiring in 2015-16. Many GSM operators have submitted that there should be parity in 800 MHz and 900 MHz spectrum band valuation. They have further submitted that the CDMA spectrum band should be used for EGSM services. The COAI and its member's response if accepted would minimize competition and would be highly discriminatory towards 800 MHz spectrum band users.

Our counter response on above mentioned two issues is as below:

1. M/s COAI/ Airtel/Vodafone Comments: 'Valuation/ reserve price of 800 MHz band as finally accepted by the Government based on the TRAI's recommendations dated Feb, 2014 shall be used for 900 MHz band also'.

- (i) The valuation/RP of 900 MHz cannot be compared with 800 MHz as is evident from the two previous auctions.
- (ii) In terms of propagation characteristics, 800MHz and 900MHz may be similar but these spectrum bands have entirely different technology deployment in India/internationally and thus are used for entirely different purposes. Further 800 MHz and 900 MHz spectrum bands are not complementary or substitutable for each other and thus valuation of these bands cannot be compared.
- (iii) International data on presently deployed 2G / 3G networks and networks planned to be deployed with futuristic technologies like 4G, clearly shows that adoption of 800 MHz band (only 4-5 networks compared to > 270 networks in 1800 MHz) is marginal. Even adoptability of 800 MHz band for worldwide deployment of 3G (UMTS) networks is much less in numbers when compared to the widely accepted 900/2100 MHz dual band. Thus, 3G ecosystem/device availability is much better in 900 MHz/2100 MHz than 800 MHz band, thereby making 900 MHz more lucrative.
- (iv) Past auctions have established that 900 MHz valuation is much more than 800 MHz spectrum band as auction realized values for these bands are compared below:



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Circle	TRAI Valuation of 900 MHz (9 th Sept, 2013)	Realized Price for 900 MHz band	Ration of realized price to TRAI valuation	TRAI valuation of 800 MHz (22 nd Feb 2014)	Realized Price for 800 MHz 1.25	Ration of realized value to TRAI Valuation	Ration of 900 MHz to 800 MHz
	900 MHz			800 MHz			
Delhi	359.65	740.96	2.06	562.78	360.39	0.64	2.05
Kolkata	125.27	194.63	1.55	126.87	59.14	0.46	2.11
Mumbai	327.50	563.09	1.71	440.16			

- a. Considering the huge variation in the realized value for 800 MHz and 900 MHz spectrum bands, the Reserve price should of 800 MHz band should be almost half of the 900 MHz band. As the market realization for 900 MHz is more than 2 times the realized price for 800 MHz spectrum band.
- b. The relative market value of 1800 MHz and 900 MHz spectrum is available for 3 markets where auction took place in February, 2014. In the table below it may be noted that the market price for 900 MHz is 2 times the market value of 1800 MHz spectrum band.
- (v) In view of the above **the valuation of 900 MHz cannot be compared to the valuation of 800 MHz. Therefore stakeholders view to equate the prices of 800 MHz with 900 MHz does not stand to logic.**

In view of the above it is suggested that:

- Reserve for 900 MHz band should be 1.65 time to 2 time the Reserve Price of 1800 MHz spectrum band.
- Reserve Price for 800 MHz and 1800 MHz spectrum band should be same.



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2. M/s COAI/Vodafone/Idea comment: 'The TRAI, in its earlier recommendation dated 09.09.2013 had already recommended to DoT on need to check the feasibility for adoption of E-GSM band. The E-GSM band should be immediately put up for auction'

- (i) The afore mentioned stakeholders have opined that Government should harmonize 800 MHz and make the 10 MHz CDMA band as EGSM band as a part of the overall 900 MHz band.
- (ii) The DoT vide its letter dated 12th November 2013 has already rejected the Authority's view regarding the feasibility of adoption of EGSM in this band and EGoM has decided to auction 800 MHz.
- (iii) Further, we would like to submit that:
 - a. Adoption of E-GSM band will require vacation of 880-890 MHz band frequency and restricting CDMA operations to only 10 MHz spectrum 870-890 MHz. The proposed CDMA spectrum would thus be sufficient for only 2 operators and therefore others would be forced to close their operations. Thus EGSM proposal would be highly unfair and invest of around Rs 1 lakh crore in CDMA networks would go waste.
 - b. The CDMA operators even today support around 75 million subscriber base and is used to provide high quality broadband service.. The discriminatory approach to cull out EGSM band would stop the growth of broadband services in the country.
- (iv) DoT in its reply dated 20th Dec 2013 has informed TRAI that the Ministry of Defence has intimated that shifting of frequencies from existing 925-935 MHz to 834-844 MHz cannot be done in a definite time frame'. Thus we do not see any possibility of creating EGSM band in near future.

In light of above facts TRAI is requested to not to take COAI members submission to cull out EGSM band.