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To,
Advisor (NSL),
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg,
(Old Minto Road), New Delhi-02

(Kind attention: Sh. Syed Tausif Abbas)

No: Regln/1-25/2013/Vol.I/5226

Dated: 9th Nov, 2017

Sir,

Sub:- Comments on Consultation paper on "Auction of Spectrum in 700 MHz, 800 MHz, 900 MHz, 1800 MHz, 2100 MHz, 2300 MHz, 2500 MHz, 3300-3400 MHz and 3400-3600 MHz Bands".

Kindly refer to your office press release dated 28th August, 2017 regarding Consultation Paper on "Auction of Spectrum in 700 MHz, 800 MHz, 900 MHz, 1800 MHz, 2100 MHz, 2300 MHz, 2500 MHz, 3300-3400 MHz and 3400-3600 MHz Bands". In this context, kindly find herewith the BSNL comments on the above mentioned Consultation Paper:

BSNL is providing the service in almost all rural area by investing huge amount in CAPEX as well as OPEX. Being a 100% government owned PSU, BSNL has a policy to provide coverage in every nook and corner of country and providing of services at very cheap rate. Therefore, spectrum in various bands on need basis should be given to BSNL through equity infusion.

To reduce the digital gap between Urban and Rural Area and to promote the Digital India Mission of Government of India, atleast 5 MHz spectrum in 700 MHz should be given to BSNL free of cost through equity infusion route. BSNL will utilize these 5 MHz spectrum of 700 MHz to provide the wireless Broadband service on LTE technology in rural as well as urban area.

Q.1 (a) In your opinion when should the next access spectrum auction be held?

Comment: It is a policy decision of government that when spectrum Auction should be held. However, following points may also be considered in deciding the timing of spectrum Auction.

- (i) 60% spectrum was remained unsold during previous Auction.
- (ii) No bidder for 700 MHz band bid in previous Auction.
- (iii) Revenue from Telecom service is in downtrend in current financial year, and at present telecom industry is going through consolidation, merger & even some companies are winding up of operation. Therefor this is not the right time for auction.

Q.1(b) If the spectrum auction is held now, should the entire spectrum be put to auction or should it be done in phased manner i.e. auction for some of the bands be held now and for other bands later based on development of eco system etc?

Comment: For effective utilization of spectrum as well as for attractive bidding in Auction, spectrum auction of particular band should be held after proper development of eco system. In previous Auction, no bidder has participated for 700 MHz band and proper eco system for 700 MHz, 3300-3400 MHz and 3400-3600 band has still not developed. Therefore, no need

for auctioning of 3300-3400 MHz and 3400-3600 MHz band at present when 700 MHz band is still unutilized.

Q.2 Do you agree that in the upcoming auction, block sizes and minimum quantity for bidding in 700 MHz, 800 MHz, 900 MHz, 1800 MHz, 2100 MHz, 2300 MHz and 2500 MHz bands, be kept same as in the last auction? If not, what should be the band-wise block sizes? Please justify your response.

Comment: It should be same as earlier in the last Auction in all except 800 MHz, which should also be in 5 MHz.

Q.3 What should be optimal block sizes and minimum quantity for bidding in (a) 3300-3400 MHz and (b) 3400-3600 MHz bands, keeping in mind both the possibilities i.e. frequency arrangement could be FDD or TDD? Please justify your response.

Comment: As commented above, it is not suitable time for auctioning of these band. However, if government decides for auctioning of these band then block size of 5 MHz (Paired) or 10 MHz (unpaired) with the condition that for Auctioning of atleast 10 MHz (Paired) or 20 MHz (Unpaired) should be imposed.

Q.4 Do you think that the roll-out conditions for 700 MHz, 800 MHz, 900 MHz, 1800 MHz, 2100 MHz, 2300 MHz and 2500 MHz stipulated in the last auctions held in October 2016 are appropriate? If no, what changes should be made in the roll out obligations for these bands?

Comments: BSNL feels that no need to change the roll out obligation of these band.

Q.5 Should there be any rollout obligations in 3300-3400 MHz and 3400-3600 MHz bands? If yes, what should these be? Please justify your response.

Comments: 3300-3400 MHz and 3400-3600 MHz bands mostly will be utilized for 5G services. Therefore, roll out obligations should be limited since standardization/ specification of 5G has not taken so far.

Q.6 Is there a need to prescribe spectrum cap in bands 3300-3400 MHz and 3400-3600 MHz? What spectrum cap provisions should be kept for 3300-3400 MHz and 3400-3600 MHz spectrum bands? Should these bands be treated as same or separate bands for the purpose of calculation of spectrum cap?

Comments: Yes, Spectrum cap is required to be continued. However, 3300-3400 & 3400-3600 MHz band should be treated as one band for the purpose of imposing intra band spectrum cap and a band specific limit, say 75 MHz be imposed on the combining holding in 3300-3400 MHz and 3400-3600 MHz..

Q.7 Whether the prices revealed of various spectrum bands in the October 2016 auction can be taken as the value of spectrum in the respective band for the forthcoming auction in the individual LSA? If yes, would it be appropriate to index it for the time gap since the auction held in October 2016. If indexation is to be done then at what rate?

Comments: Reserve price of 700 MHz should be reduce due to following reason:

- 1) Entire 700 MHz spectrum remained unsold during previous Auction.
- 2) Revenue of all TSPs in down trend in current financial year.

In addition to this, BSNL demanded that 5 MHz spectrum in 700 MHz should be given to BSNL through equity infusion route. These spectrum will be utilized by BSNL for providing of

LTE service in urban as well as remote areas. Successful utilization of 700 MHz band by BSNL will enhance the cost of these spectrum in successive Auction.

Q.8 If the answer to above question is negative then, whether as per the practice adopted by TRAI in the previous valuation exercise, the valuation for respective spectrum bands be estimated on the basis of various valuation approaches/methodologies (Referred in Annexure 3.3) including those bands (in a LSA) for which no bids were received or spectrum was not offered for auction?

Comment: The valuation methods need to be relooked into the pricing of the spectrum for which no bids have been received.

Q.9 Whether the value of 700 MHz spectrum should be derived by relating it to value of other bands by using technical efficiency factor? If yes, with which spectrum band this band be related and what efficiency factor or formula should be used? Please justify your views with supporting documents.

Comment: Only technical efficiency should not be parameter for deciding the valuation of any spectrum band as well as 700 MHz band. Other parameter like demand of particular band, financial condition/Revenue of Telecom sector, Availability of eco system of particular band should also be considered in deciding of valuation of any spectrum band.

Q.10 Else, what valuation approach should be adopted for the valuation of 700 MHz spectrum band? Please support your valuation approach with detailed methodology and related assumptions.

Comment: No Comments.

Q.11 Whether the value of October 2016 auction determined prices be used as one possible valuation for 2300 MHz spectrum for the current valuation exercise? If yes, would it be appropriate to index it for the time gap since the auction held in October 2016? Please justify your response with supporting documents/ report(s), if any.

Comment: Yes, since all available spectrums in 2300 MHz band is already sold during previous Auction, therefore possible valuation can be considered, as per auction determine rate of previous Auction held in Oct.2016.

Q.12 Whether the value of the 2300 MHz spectrum should be derived by relating it to the value of any other spectrum band by using technical efficiency factor? If yes, which band and what rate of efficiency factor should be used? If no, then which alternative method should be used for its valuation? Please justify your response with rationale and supporting documents.

Comment: No, comment of Q.9 may kindly be refer in this regard.

Q.13 Whether the valuation of the 2500 MHz spectrum should be equal to value of similarly placed spectrum band? If no, then which alternative method should be used for its valuation? Please justify your response with rationale and supporting documents /report(s)/ detailed methodology, if any.

Comment: Yes, the valuation of the 2500 MHz spectrum should be equal to value of similarly placed spectrum band.

Q.14 Whether the valuation of the 3300-3400 MHz spectrum bands and 3400-3600 MHz spectrum bands should be derived from value of any other spectrum band by using technical efficiency factor? If yes, what rate of efficiency factor should be used? If no,

then which alternative method should be used for its valuation? Please justify your response with rationale and supporting documents.

Comment : No, at present these bands are mainly being considered for 5G roll out for which standards are still not clear.

Q.15 Is there any other valuation approach than discussed above or any international auction experience/ approach that could be used for arriving at the valuation of spectrum for 700/800/900/1800/2100/2300/2500/3300-3400/3400-3600 MHz bands? Please support your suggestions with detailed methodology and related assumptions.

Comment: In deciding of valuation of any spectrum band, various parameters like technical efficiency, demand of particular band, financial condition of TSPs/Revenue of Telecom sector, availability of eco system of particular band should be considered.

Q.16 Whether value arrived at by using any single valuation approach for particular spectrum band should be taken as the appropriate value of that band? If yes, please suggest which single approach/ method should be used. Please justify your response.

Comment : No, In addition to technical efficiency, other parameter like demand of particular band, financial condition/Revenue of Telecom sector, Availability of eco system of particular band should also be considered in deciding of valuation of any spectrum band.

Q.17 In case your response to Q16 is negative, will it be appropriate to take the average valuation (simple mean) of the valuations obtained through the different approaches attempted for valuation of a particular spectrum band, as adopted by the Authority since September 2013 recommendations? Please justify your response.

Comment: Valuation should be taken considering the all parameter mentioned above in Para (16).

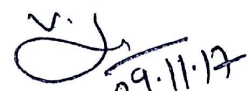
Q.18 Is it appropriate to recommend Reserve price as 80% of the value? If not, then what should be the ratio adopted between the reserve price for the auction and the valuation of the spectrum in different spectrum bands and why?

Comment: No. Negative trend in Telecom service revenue, closure plan of some TSPs, merger plan of some TSPs and increasing bad loan in telecom sector should be considered.

Q.19 Whether the realized / auction determined prices achieved in the October 2016 auction for various spectrum bands can be taken as the reserve price in respective spectrum bands for the forthcoming auction? If yes, would it be appropriate to index it for the time gap since the auction held in October 2016? If yes, then at which rate the indexation should be done?

Comment: Auction determined prices achieved in the October 2016 auction for spectrum bands can be taken as the reserve price for the forthcoming auction for only that spectrum band which was sold during previous Auction. And also refer to reply to Q No. 10.

Yours sincerely



Ved Prakash Verma
AGM (RegIn-II)