



15th December 2014

Mr. Arvind Kumar
Advisor (NS&L),
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg (Old Minto Road),
New Delhi-110002

Subject: Tata Teleservices Response to TRAI Consultation Paper No.14/2104 on Valuation and Reserve Price of Spectrum: 2100 MHz Band dated 2nd December 2014.

Dear Sir,

With reference to your consultation paper dated 02nd December 2014 on "**Valuation and Reserve Price of Spectrum: 2100 MHz**" seeking comments of the stakeholders, please find attached herewith the comments of Tata Teleservices Limited and Tata Teleservices (Maharashtra) Limited (together referred as TTL).

We hope that our views will be given due cognizance. We would be grateful to address any further query in this regard.

Thanking you and assuring you of our best attention always.

Yours sincerely,

Sunil Batra
Vice President-Corporate Affairs
Tata Teleservices Limited
And
Authorized Signatory
For Tata Teleservices (Maharashtra) Limited

Enclosure: As above

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CIN - L64200MH1995PLC086354

TATA TELESERVICES LIMITED

2-A, Old Ishwar Nagar, Main Mathura Road, New Delhi 110065
Tel.: +91 11 66558555, 66558666 Fax : +91 11 66558908, 66558909 website : www.tatateleservices.com
Registered Office : 10th Floor, Tower 1, Jeevan Bharati, 124 Connaught Circus, New Delhi-110001



**Tata Teleservices Response to TRAI Consultation Paper No 14/2014 on
“Valuation and Reserve Price of Spectrum: 2100 MHz Band” dated 2nd December
2014**

Q.1. In the auction for 2100 MHz spectrum held in 2010, certain roll-out obligations were mandated for the successful bidders. Stakeholders are requested to suggest if any changes are required or whether the same roll-out obligations should be mandated in the forthcoming auction, along with justification.

TTL Comment:

- In order to ensure that the available scarce resource of spectrum is put to most efficient use and also the service penetration targets of the licensor are fulfilled in line with the national objectives, the existing rollout obligations should continue. This would also ensure that there is a level playing field and there is no hoarding of the spectrum.
- The objective of the auction is to ensure adequate usage of acquired spectrum and in this regard, the right, fair and transparent processes should be put in place.
- TTL is of the view that the current rollout obligations as applicable for the auction of 2100 MHz band held in year 2010 should be prescribed for the current auction as well.
- In addition to the above issue raised by the Authority w.r.t. the rollout obligations for 2100 MHz spectrum, we would like to bring out the fact that the Final 3G TSTP (Test Schedule Test Procedure) is yet to be issued by the DoT. Post the issue of the 3G TSTP, the TSPs would require sufficient time to implement the same. Therefore, the Authority should recommend that 5 years period for meeting the roll out obligation should commence from the date of issue of final TSTP by DoT.

Q2. Whether a bidder should be allowed to bid for more than one block of spectrum, in case a sufficient quantum of spectrum (more than one block in LSA) is put to auction?

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Q3. Whether the spectrum caps (of 50% of total spectrum in a band/25% of total spectrum assigned across bands) prescribed in recently held auctions in



the 800/900/1800 MHz bands should also be prescribed for the upcoming auctions in the 2100 MHz band?

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Q4. In case only one block of 5 MHz of spectrum in 2100 MHz is available in an LSA, should only those TSPs be allowed to participate who do not have 2100 MHz spectrum in that LSA at present?

TTL Comment:

- Since only limited spectrum is made available in the 2100 MHz band, the auction rules of year 2010 should continue, i.e. one operator should be allowed to hold a maximum of 2x5 MHz (one block of spectrum) of spectrum in 2100 MHz band in a LSA.
- In case only one block of 2x5 MHz is available, then only TSPs who do not hold any spectrum in 2100 MHz band in a particular LSA should be allowed to participate in the auction in that LSA.
- This will ensure level playing field for new operators and avoid monopolistic situation in the market.
- TTL is also of the view that there should be a uniform cap for spectrum holdings per LSA as has been done in previous auctions. The spectrum caps of “50% of total spectrum in a band/25% of total spectrum assigned across bands” in a service area, should also be applied to the upcoming auctions in the 2100 MHz band as well.

Q.5. Should the indexed value of May 2010 auction determined prices of 2100 MHz spectrum be used as one possible valuation for 2100 MHz spectrum in the forthcoming auction? If not, why not? And, if yes, what rate should be adopted for the indexation?

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Q6. Should the value of the 2100 MHz spectrum be derived on the basis of the value of the 1800 MHz spectrum using the technical efficiency factor (0.83) as discussed in Chapter III?

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Q7. Should the value of spectrum in the 2100 MHz band be estimated on the basis of the producer surplus model outlined in Chapter III? Please provide your views on the assumptions made. Please support your response with justification, calculations and relevant data along with the results.



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Q8. Should the value of spectrum in the 2100 MHz band be estimated on the basis of the growth in data usage outlined in Chapter III? Please provide your views on the assumptions made. Please support your response with justification, calculations and relevant data along with the results.

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Q9. Would it be appropriate to value the 2100 MHz spectrum as the simple mean of the values arrived from different valuation approaches as discussed in Chapter III? If no, please suggest with justification which single

TTL Comment:

- TTL is of the view that the value of 2100 MHz spectrum band for the upcoming auction should be derived on the basis of the value of the 1800 MHz spectrum using the factor (0.83) due to the following reasons:
 - The 1800MHz band has better propagation qualities and significantly better geographic and in-building coverage than 2100MHz. No. of BTS/CAPEX required to cover the same area is more with 2100 MHz band to that required with 1800 MHz band. Hence, based on this technical efficiency of 2100 MHz w.r.t. 1800 MHz band, a technical efficiency factor w.r.t. 1800 MHz band should be applied.
 - The LTE technology is now compatible with the 1800MHz band and the Government has decided that all spectrum allocated through auction will be liberalized spectrum i.e. any technology can be deployed with that spectrum for providing the services under the scope of the license. Since 1800MHz band is auctioned with technology neutrality, its economic value is much higher than 2100MHz band. Therefore the value of 2100 MHz spectrum should be lower than 1800 MHz spectrum.
 - We have seen huge variations in the prices achieved in the 3G auction in 2010 across LSAs. There was aggressive bidding for some LSAs - Delhi and Mumbai- leading to price discovery at much higher levels than anticipated. Therefore, the prices discovered in 2010 for 2100 MHz spectrum can't be considered for deriving its value in 2014-15.
 - The resultant revenue from 3G services is not justifying the large investments in acquiring 3G spectrum and set up of its network. The TSPs are still finding it very difficult to recover their investments, even after more than 4 years of auction. Overall financial condition of the



industry has further deteriorated significantly since 2010 till present. Therefore, the prices discovered in 2010 can't be considered for indexation for deriving the value of 2100 MHz spectrum now.

- The Government had derived the reserve price of 1800 MHz and 800 MHz bands for auction in November, 2012 and has seen the level of participation in these auctions by the industry. This is an indication that 3G prices discovered in 2010 were unrealistic and hence should not be used for valuing spectrum in 2014-15.
- The Authority has already taken into account various models and approaches while deriving the value of 1800 MHz spectrum and recommended a reserve price for 1800 MHz spectrum in its recommendations on 15.10.2014. This reserve price already accommodated the reserve price calculated by the Authority based on which prices of 1800 MHz band were discovered in February 2014. We believe this forms a valid basis for deriving value of 2100 MHz band on the basis of 1800 MHz band.

Q.10. What should be the ratio adopted between the reserve price for the auction and the valuation of the spectrum of 2100 MHz band?

TTL Comment:

- A ratio of 0.8 should be adopted between the reserve price and the valuation of the spectrum of 2100 MHz band for the upcoming auction.