

TELECOM REGULATORY AUTHORITY OF INDIA
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Subject:- TRAI reiterates its stand on Permitting only existing licensees for the Allocation of 3G Spectrum.

New Delhi:- The Telecom Regulatory Authority of India (TRAI) had submitted its recommendations to DoT on “Allocation and pricing of spectrum for 3G and BWA services” dated 27th September, 2006. In the said recommendation, the Authority had recommended that “Spectrum allocations for 3G services should be done to all eligible UASL and CMSP licensees using fair and equitable norms.”

In response to the above recommendation the DoT had sought Authority’s view on the participation of other Indian / foreign prospective operators for the 3G spectrum.

The Authority has revisited its earlier recommendations on the DoT reference and after due deliberations gives recommendations as below:

- The auction for 3G licensees should be restricted to existing UAS/CMTS licensees.
- The spectrum module for auction should be 2x5 MHz.
- The auction mode as recommended earlier may be accepted
- The total availability of spectrum should be made public at the stage of the auction so that the bidders are fully aware regarding the first and subsequent phase of allocation on the price determined by the auction.
- It is conceivable that the total quantum of spectrum required for the existing licensees may not be available in one lot. It was in this context that the Authority had recommended that those who do not get accommodated in the first phase will be placed in the queue and will be allotted spectrum as and when available on the same terms and conditions as granted to the licensees in the first phase.
- In view of the future expected technological advancements, the Authority recommends a review after three years.

The Authority’s decision is based upon following considerations:-

- a) The existing licensees due to their available infrastructure are in a better position to deliver 3G services efficiently, quickly and at low incremental cost in the Indian price sensitive market.
- b) The existing licensees will be able to roll out the services faster than the non-licensed bidders, not yet operating in the country.
- c) In view of existence of about 13-14 licensees in each service area, the Authority believes there is sufficient competition in the market to ensure that the spectrum is priced competitively, discourage cartelization and offer services that are acceptable in terms of quality and price.
- d) 2x5 MHz is a viable and technologically acceptable quantum for the existing licensees who are either offering or planning to offer 2G services. With 2x25 MHz to 2x30 MHz of available

spectrum in 2.1 GHz band, the Authority reiterates its recommendation of allocation in blocks of 2x5 MHz of spectrum so as to accommodate maximum number of existing licensees and also to avoid any possible legal challenge. This will also ensure a level playing field and will meet the need for fair and healthy competition.

e) The Authority has always advocated that the grant of license should be only after ascertaining the adequacy of spectrum. This is critical so that the existing licensees do not face any uncertainty and have a predictable path for investment. It is in this context that the Authority had earlier recommended that those who do not get accommodated in the first phase will be placed in the queue and will be allotted spectrum as and when available on the same terms and conditions as granted to licensees in the first phase.

f) By deploying the 3G technologies, the existing licensees can migrate their high-end subscribers to 3G technology and will be able to partially ease 2G spectrum availability, which can be utilised for achieving Govt. target of 500 million subscribers by 2010.

g) If the new entity is allowed to bid for the spectrum for 3G and if becomes successful in bidding, then it will get an automatic right to get UAS license. This will create legal complications and litigations as it will be construed as an indirect backdoor entry. In case the entity is given only license and not spectrum (2G) than it will tantamount to creation of new license category which will be against the NTP 99.

h) Presently, the UAS license permits a foreign company 74% Foreign Direct Investment. With 13-14 licensees in each service area, the Authority believes that any new aspirant can join hands with the existing licensees. The Authority is conscious that a number of rapid technological advancements are taking place in the telecom sector and these needs to be taken into consideration in future. In view of this, the Authority recommends to review the scenario after three years.

The recommendations of the Authority is available at TRAI website www.trai.gov.in

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