COAI Response - TRAI Pre-Consultation Paper on Delinking of license for networks from delivery of services by way of virtual network operators

7th October 2014

I. EXECUTIVE SUMMARY

1) At the outset, we would like to submit that it is of utmost importance for the long term growth of the Telecom sector that the policies formulated by the Government are predictable and stable in nature.

2) DoT has referred to NTP 2012 while seeking the recommendations of TRAI on Delinking of license for networks from delivery of services by way of virtual network operators. Following are the main objectives highlighted by DoT for delinking of the license for networks from delivery of services in UL regime:

   - Optimal and efficient utilisation of network and spectrum by sharing active and passive infrastructure.
   - Ensure adequate competition.

3) In this regard, we would like to submit that the first objective of optimal and efficient utilisation of network and spectrum can be met even within the existing licensing framework. As regards the objective of adequate competition, it is universally acknowledged and repeatedly highlighted by the Authority that the **Indian market is hyper-competitive and the need of the hour is to introduce measures to facilitate market based consolidation rather than to create further fragmentation.**

4) **Financial Health of the Industry:** It is a well-recognized fact that the Indian Telecom Industry is financially stressed. Chairman, TRAI is on record stating "The industry is bleeding…" "The industry is in dire need of consolidation, it simply just cannot carry on like this with 10-12 operators, some of them bleeding to death and it has to stop".Thus, in an environment wherein the telecom operators are in high financial stress and are burdened with huge payouts on account of acquiring the spectrum and stringent network rollout obligations, **we respectfully submit that it would be most undesirable for the government to introduce any regime which further derails the financial health of the sector.**

5) **Scarcity of Spectrum:**.With the average spectrum holding per operators around **13.8 MHz**, spectrum allocation in India are perhaps one of the most sub optimal allocations globally.**With such low spectrum holding it will be very difficult for the Indian mobile operators to spare spectrum for any VNOs/MVNOs as their first priority would be to meet their own growing requirements.**

6) **Adequate competition already exists in telecom sector:** Indian telecom market is a highly competitive market with **12 operators**, as compared to a **global average of 3-4**.There are as many as **7 to 8 operators** in each service area. The competition in voice and SMS segment is intense, which, coupled with the availability of MNP further adds to increased competition and customer choice. Thus, we most respectfully submit that the **objective of the DoT to ensure adequate competition has already been met, in fact excessively so, as per the views of the Authority and as per global norms.**

7) **Optimal and Efficient Utilisation of Network and Spectrum:** All the operators are already utilising their networks most optimally in order to achieve all possible cost efficiencies and offer the most affordable tariffs. Both active and passive infrastructure sharing are already permissible under the existing regime. Further, spectrum sharing

has also been permitted by DoT and TRAI has already given its recommendations on the guidelines for the spectrum sharing. **Thus we would like to submit that the objective of optimal and efficient utilisation of network and spectrum is being met even within the existing licensing framework and hence there is no requirement for delinking of license for networks from delivery of services by way of virtual network operators to achieve the same.**

8) **International Experience:**

a) Moreover**,** International experience shows that the VNO/MVNO concept is more relevant in the case of markets where –

- There is inadequate competition
- There is excess capacity/ supply available with the operator,
- The market has high penetration and adequate maturity
- The ARPU levels are high enough so as to make a sustainable business case for the VNOs/ MVNOs.

b) In this regard, we would like to submit that there is no excess capacity / supply with the access providers in India. The existing spectrum holding per operator is just sufficient for the operators own requirements. With ARPU of Rs. 115 per subscriber per month, the Indian telecom sector has one of the lowest tariffs in the world, i.e. on an average 1/4th of global average. Thus, **we are of view that neither the requirement nor the business case for VNO exists in the Indian environment**.

9) **Recent introduction of the Unified Licensing regime:** Also, as highlighted by the Authority in its pre-consultation paper, the new UL regime has come into existence only about a year back. For the telecom sector, which is highly capital intensive and where the pay-offs take a long time, it is necessary that regulatory policies are predictable and stable in nature. **An arbitrary or frequent change in the licensing regime and that too, for no perceivable or tangible benefits is not desirable**.

10) It is submitted that the need of the hour is in fact to review the M&A guidelines to facilitate market based consolidation, to expeditiously notify guidelines for spectrum trading and spectrum sharing to facilitate the most optimal use of spectrum, etc.

11) In light of above, we are of the view that delinking of license for networks from delivery of services by way of VNO is not required, especially for Indian telecom market, for the several reasons highlighted above. Rather, the need of the hour is that the Government should

- **Ensure predictability and stability of the policy and licensing regime to maintain/restore investor confidence**
- **Encourage investments in networks by ensuring the security of investments**
- **Increase Spectrum Availability**
- **Strive to make available the resources (Access Spectrum and Microwave spectrum) on an equitable basis to all service providers in a time bound manner**
- **Review M&A guidelines to encourage and facilitate market based consolidation**
- **Expeditiously notify guidelines for spectrum trading and spectrum sharing to facilitate the most optimal use of this resource.**

Our Detail response on the Pre-Consultation is as below:

II. DETAILED RESPONSE:

A. Background:

1) DoT has referred to NTP 2012 while seeking the recommendations of TRAI on Delinking of license for networks from delivery of services by way of virtual network operators.

2) Following are the main objectives highlighted by DoT for delinking of the license for networks from delivery of services in UL regime:

   - Optimal and efficient utilisation of network and spectrum by sharing active and passive infrastructure.
   - Ensure adequate competition.

B. Predictability & Stability of the Licensing Regime

1) At the outset, we would like to submit that it is of utmost importance for the long term growth of the Telecom sector that the policies formulated by the Government are predictable and stable in nature. A clear, stable, predictable policy regime which recognises the long term nature of the investments made in the telecom sector is the need of the hour.

2) The need to ensure security of investments and create a growth oriented environment has also been highlighted by the Hon'ble Prime Minister while launching the recent "Make in India" initiative.

3) As per Planning Commission's 12th plan projections – Telecom sector being an infrastructure sector is expected to invest **Rs. 943,899 Cr** during this 5 year plan – and 92% of that is expected to come from the private sector.

4) It is submitted that any disruptive approach to policy and licensing will have the effect of deterring investments and eroding investor confidence.

5) Delinking of networks and services will lead to an overemphasis on services with reduced incentive to invest in infrastructure creation. VNOs/SDOs will focus on cherry picking the creamy layer in already developed markets, thus reducing the sustainability and the business case to rollout infrastructure in rural and remote areas. There is also the possibility of the entry of non-serious players or fly by night operators. This will severely hamper the achievement of the connectivity and broadband objectives of the Government and the Digital India dream.

C. Comprehensive Review of all aspects

1) Further, there is need for the Government/Regulator to undertake a comprehensive cost benefit analysis keeping in mind the current issues facing the sector, which include financial health of the sector, competition in the sector, need for introducing new regime, need and objective of regulatory policy changes,etc., before actually making any licensing and policy recommendations or decisions.

Against the above backdrop, we would like to make the following submissions with regard to the various aspects that need to be examined and considered by the Authority:

1) Financial Health of the Industry:

a) The financial condition of the sector poses several challenges. The cumulative debt burden of telecom companies has increased from INR 82,726 crores in 2008-09 to INR 2,50,000 crores in 2012-13. The EBITDA margins of the telecom companies have fallen from 33.8% in 2008 to 15.5% in 2013. The decline in margins has led to the operators exiting the sector, scaling down their operations and curtailing future investments.

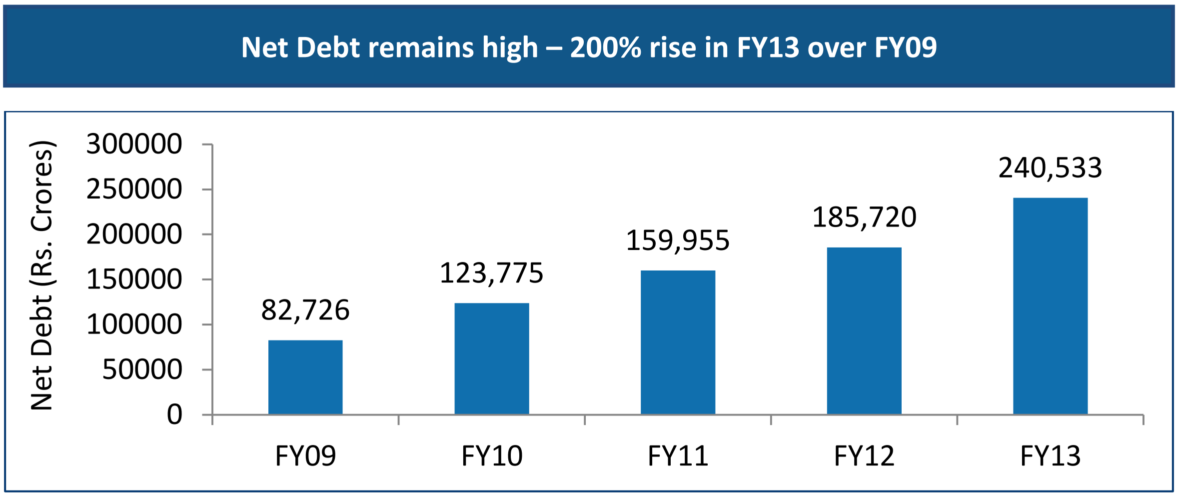
b) Indian Telecom Industry is financially stressed, which is reflected in following data points on ROI and Net debt of the Indian telecom operators:

Figure: 1

Operator Category	Consolidated Figures		Consol. Gross Block	ROI*
	Annual EBIT	Net Debt		
	Rs. Crores	Rs. Crores	Rs. Crores	%
COAI	15,383	153,559	376,637	6.6%
Others**	(11,186)	86,974	358,169	-6.4%
Total	4,197	240,533	734,805	1.0%

** RoI = EBIT/Net Block*
Calculated only for those operators for whom both EBIT and Net Block is available.
*** Others include public sector operators*
Source: *Based on latest annual financial information filed by listed operators on stock exchange and other operators with RoC*

Figure: 2



Source: *Based on latest annual financial information filed by listed operators on stock exchange and other operators with RoC*

c) The extreme financial distress being faced by the industry has also been recognized by the Authority. Chairman, TRAI is on record stating “The industry is bleeding…” “The industry is in dire need of consolidation, it simply just cannot carry on like this with 10-12 operators, some of them bleeding to death and it has to stop”

d) Thus, in an environment wherein the telecom operators are in high financial stress and are burdened with huge payouts on account of acquiring the spectrum and stringent network rollout obligations, we respectfully submit that it would be most undesirable for the government to introduce any regime which further derails the financial health of the sector.

e) It may also not be out of place to submit that the huge investments have been made to set up world class networks and huge monies that have been bid for acquiring spectrum, which have all been on the basis of the existing /underlying licensing regime as notified by the Government and the same cannot be unilaterally and arbitrarily changed to the detriment of the service providers.

2) Scarcity of Spectrum:

a) Service providers have acquired spectrum in the auctions held in 2010, 2012, 2013 and 2014 at high cost. This spectrum has been acquired on the understanding that the requirements to rollout the network as also deliver the service rests only with the TSPs. The license of the TSPs cannot be bifurcated to separate networks from service delivery as this will undermine the entire substratum based on which investments have been made and spectrum has been acquired.

b) Notwithstanding the above, it is submitted that even otherwise, the spectrum available with the existing TSPs is barely sufficient for their own requirements; hence there is no spare capacity available for leasing to VNOs.

c) It is a well-recognized fact that as per international standards, TSPs in India have the lowest spectrum holding.

Figure 3: Spectrum holding of some countries having large no. of MVNO’s

Country	Total Spectrum (in MHz)	No. of Opcos	Average spectrum per Opco (in MHz)	No. of MVNO's
Germany	631	4	153	122
UK	579	5	116	76
Australia	296	3	98.7	43
India	110	8	13.8	0

Source: GSMA Intelligence, Ofcom,

d) **Thus, with such low spectrum holding it will be very difficult for the Indian mobile operators to spare spectrum for any VNOs/MVNOs as there first priority would be to meet their own growing requirements.**

e) **Infact it is more desirable and necessary for the government to make available additional spectrum to meet the growing requirements of the existing TSPs.**

Further, it is most desirable that this scarce resource (Access and Microwave spectrum) is made available to the operators in a time bound manner. Attention is drawn in this regard to the undue and excessive delay in the allocation of both access as well as microwave spectrum by the DoT

3) Competition in the Telecom sector:

a) Indian telecom market is a highly competitive with as many as **7 to 13 licensees** in each service area, as compared to a global average of 3-4.

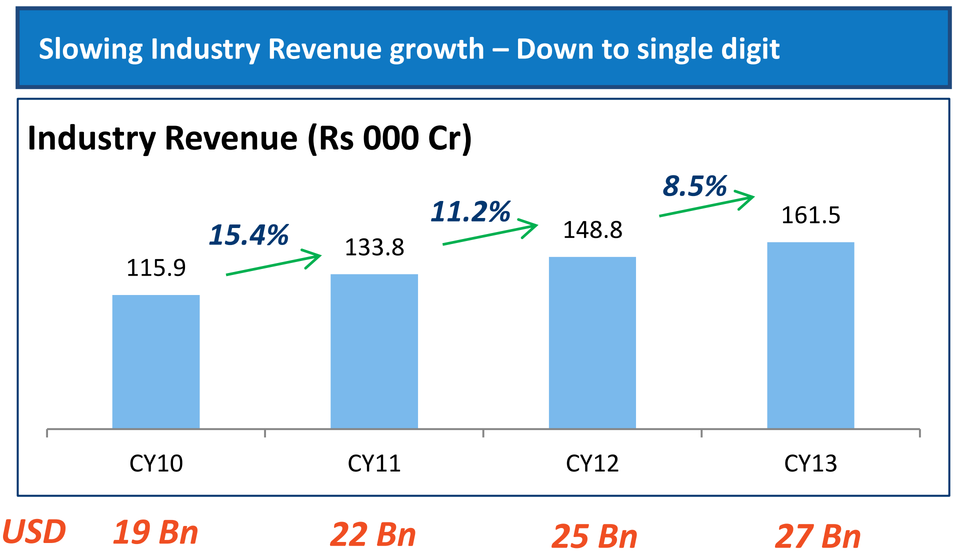
b) The competition in the market is intense and subscribers also enjoy the facility of MNP which further adds to increased competition and customer choice.

c) The Chairman, TRAI is on record expressing concern on the over-competitive nature of the industry and emphasizing the need for consolidation. Some recent media reports highlighting the views of Chairman TRAI on this subject [attached for ready reference] record his views as below:
- "The industry is bleeding. There are 12 operators here. Globally, each country has three to four telecom service providers. Some places, it is just two."
- No jurisdiction in the world has 12 operators, mostly the countries have 5 or 4 telecom players and at some places 2…"
- "The industry is in dire need of consolidation, it simply just cannot carry on like this with 10-12 operators, some of them bleeding to death and it has to stop"

d) In view of the above, we most respectfully submit that the objective of the DoT to ensure adequate competition has already been met, in fact excessively so, as per the views of the Authority and as per global norms.

e) Further, as a result of the high level of competition, the average realised rate per minute in India is much lower than the base tariffs and the rate of revenue growth has also reduced to a single digit.

Figure 4: Rate of Growth of Revenues:



Source: TRAI, COAI, GSMA Intelligence

f) Also, with ARPU of Rs. 115 per subscriber per month, the Indian telecom sector has one of the lowest tariffs in the world, i.e. on an average 1/4th of global average.

g) **Given the above, we are also of the view that a business case does not exist for introduction of VNOs/MVNOs in the Indian market.**

h) Further, MVNOs have been introduced and are successful in the countries which had at most 3 or 4 operators and hence limited competition. **With the Indian market already being over-competitive, we are NOT able to understand the purpose which shall be achieved by introduction of VNOs.**

i) Thus, we are of view that neither the requirement nor the business case for VNO/MVNO exists in the Indian environment.

4) Optimal and Efficient Utilisation of Network:

a) Both active and passive infrastructure sharing are already permissible under the existing regime.
   - Operators are already sharing their passive infra, such as tower, dark fiber, duct space, Right of Way etc. with other Licensees. This is the rule rather than the exception.
   - Active infrastructure sharing [limited to antenna, feeder cable, Node B, Radio Access Network (RAN) and transmission system] was also permitted in 2008.
   - Further, spectrum sharing has also been permitted by DoT and TRAI has already given its recommendations on the guidelines for the spectrum sharing.
   - There is also an in-principle decision by DoT to permit spectrum trading. In this regard too, the recommendations have been made by the Authority and the guidelines on the same by DoT are awaited.

b) Thus, there is already optimal and efficient utilisation of passive infrastructure network of the TSPs and further optimal utilization measures to facilitate active infrastructure sharing, including the sharing of spectrum are already available /in the pipeline.

c) It is therefore reiterated that the objective of optimal and efficient utilisation of network and spectrum is being met even within the existing licensing framework and hence there is no requirement for delinking of license for networks from delivery of services by way of virtual network operators to achieve the same.

5) Recent Introduction of UL Regime:

a) As highlighted by TRAI in its pre-consultation paper, the new UL regime has come into existence only about a year back. For the telecom sector, which is highly capital intensive and where the pay-offs take a long time, it is necessary that regulatory policies are predictable and stable in nature. An arbitrary or frequent change in the licensing regime and that too, for no perceivable or tangible benefits is not desirable.

6) International experience of VNO/MVNO

a) International experience shows that the MVNO concept is more relevant in the case of markets where –
- There is inadequate competition
- There is excess capacity/ supply available with the operator,
- The market has high penetration and adequate maturity and
- The ARPU levels are high enough so as to make a sustainable business case for the VNOs/ MVNOs.

b) **Inadequate Competition:** As highlighted above, Indian market is excessively competitive compared to other regimes. VNO/MVNOs work in countries where there are a limited number of operators.

c) **Capacity/supply:** There is no excess capacity / supply with the access providers in India. In fact the operators are struggling to meet the burgeoning demands of the market in the face of continued severe paucity of the spectrum. Given that the operators are facing several challenges even in meeting customer demand for their own services, it is improbable that they will have spare capacity in the networks to sell to the MVNOs.

d) **Market Penetration and Maturity:** As per the recent research of GSMA on the global MVNO landscape MVNOs remain most prevalent in mature markets where penetration (based on connections) has surpassed 100%. As per the GSMA analysis MVNOs is a phenomenon that mainly applies to saturated mobile markets, as operators seek innovative ways to attract new customers. The average penetration rate among the 69 countries that host MVNOs stands at 129%, compared to the global average of 98%. We would like to submit that the current market penetration of India is just 74% which is well below global average; hence the introduction of MVNO has little relevance at this stage.

e) ARPU levels: ARPU levels are fairly low in India. With ARPU of 115/- per month, the Indian telecom sector has one of the lowest tariffs in the world, which is on an average 1/4th of global average. In such a scenario, an MVNO whose model is based primarily on purchase of bulk minutes and selling them in the retail market under its own brand will find itself competing on the thinnest of margins which will undoubtedly put pressure on its business model.

f) In light of the above, we are of the view that neither the requirement nor the business case for VNO /MVNO exists in the Indian environment.

7) Probable issues with the new Regime

a) The Authority has rightly highlighted that the decision to go with the existing approach to licensing was a conscious decision taken by the Government recognizing the importance of infrastructure creation. The existing framework cannot be unilaterally and arbitrarily disrupted.

b) The Authority has also raised several pertinent issues and concerns with regard to the proposed framework. Our submissions on these are as below:

i) It is submitted that delinking will not have any effect of existing TSPs who are both establishing networks and offering services as per the conditions of license agreement with DoT. Delinking, if at all, can only be for future licensees, who enter the sector de novo.

ii) We do not see any need for a change in the licensing regime given that the UL regime has come into existence only a year back. As rightly highlighted by TRAI, in the telecom sector, which is highly capital intensive with long payback periods, it is necessary that regulatory policies are predictable and stable.

iii) Migration if at all, can only be at the choice of the licensee and cannot be mandated on existing Tsps. It may be highlighted that even today, there are operators who have CMTS licenses and have chosen not to migrate to UASL/UL.

iv) We seriously question the objective and the need for introducing more competition - as submitted above the sector is already over competitive and the need of the hour is to facilitate consolidation rather than introduce more completion is questionable.

v) TSPs infrastructure and spectrum is barely enough to meet their own requirements. It is unlikely that existing TSPs will have spare capacity to cater to VNOs/SDOs even if introduced.

vi) There is a lack of clarity on the objective, context and structure of the proposed framework. The reasoning for such a reference has not been explained by DoT.

vii) It is also important to highlight that in the said reference DoT has stated that it had decided in 2013 that unified licensing will be introduced in 2 phases with delinking of network and services being taken up in the second phase. It is respectfully submitted that the basis of such a decision is not known as the issue has neither been raised for discussion nor has it gone through the due statutory regulatory process under the TRAI Act. The Authority may like to examine the basis on which this decision has been taken by DoT.

viii) It is further submitted that the issues highlighted by TRAI with regard to rollout obligations, nature of agreement , sharing of infrastructure, spectrum usage charges, allotment of numbering resources, lawful interception etc. cannot be answered unless there is clarity of the exact nature and structure of the proposed framework including the objectives sought to be achieved through the same.

ix) We request that TRAI request DoT to clarify its reference in the context of the above issues, before initiating a formal consultation.

8) Licensing of the Application Providers and OTT Providers:

a) We believe that the issues related to OTT need to be dealt with separately. The concerns of the TSPs have already been raised before the Authority and the Authority has also held a workshop to understand the views of the different stakeholders. We believe that the concerns of the industry in this regard need to be addressed through a separate consultation.

COAI Submission:

1) **In light of above, we are of the view that delinking of license for networks from delivery of services by way of VNO is not required, especially for Indian telecom market, for the several reasons highlighted above. Rather, the need of the hour is that the Government should:**

   a) **Ensure predictability and stability of the policy and licensing regime to maintain/restore investor confidence.**

   b) **Encourage investments in networks by ensuring the security of investments.**

   c) **Increase Spectrum Availability**

   d) **Strive to make available the resources (Access Spectrum and Microwave spectrum) on an equitable basis to all service providers in a time bound manner**

   e) **Review M&A guidelines to encourage and facilitate market based consolidation**

   f) **Expeditiously notify guidelines for spectrum trading and spectrum sharing to facilitate the most optimal use of this resource.**

2) **In any event there are several concerns and lack of clarity on the exact nature and structure of the proposed framework, including the objectives sought to be achieved through the same. We request that TRAI request DoT to clarify its reference in the context of the issues raised in the Pre-consultation, before initiating a formal consultation**

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Telecom M&A norms need to be reworked, says Trai chairman

New Delhi, Sept 22: With a view that the country cannot carry on with 12 telecom operators, sectoral regulator Trai on Monday said current merger and acquisition (M&A) rules need to be reworked by the government for any pick up in consolidation activity.

"No jurisdiction in the world has 12 operators, mostly the countries have 5 or 4 telecom players and at some places 2. For this to happen (here) merger and acquisition guidelines have to be reworked," TRAI chairman Rahul Khullar said here.

The Chairman of Telecom Regulatory Authority of India (TRAI) said the guidelines have been a non-starter as M&A activity has not taken place despite the industry being i ndire need for consolidation.

"I think the industry is in dire need of consolidation, its simply just cannot carry on like this with 10-12 operators, some of them bleeding to death and it has to stop," Khullar said.

Telecom operators have long been demanding changes in the M&A rules, terming them difficult.

Vodafone India chief Marten Pieters had earlier said that companies should be allowed to buy assets of a particular firm such as spectrum and not the entire firm which has a lot of debt in its books.

Giving an example, Pieters had said, "We love to buy 3G spectrum but for 3G spectrum, if I have to buy complete operator who has 3G spectrum ... It comes with all kinds of stuff I don't want because I have it all. So, it is very difficult to make an attractive proposition in such a situation."

Easing the M&A rules, the government had allowed mergers between firms with up to 50% combined market share. Earlier, telecom firms were allowed to merge if their combined market shares in terms of subscriber base does not exceed 40% in any of the nation's 22 circles or zones. *PTI*

Keep 900 MHz base price same as that for 800 MHz: GSM operators

New Delhi, Sept 22: GSM mobile operators on Monday said the reserve price for 900 MHz in the forthcoming spectrum auction should be same as that for the 800 MHz band, used by CDMA players, because both the bands have similar propagation characteristics.

"We propose that reserve price of 800 MHz band as finally accepted by the government based on the Trai's recommendations dated February, 2014 shall be used for 900 MHz band also," Bharti Airtel said during an open house session on spectrum pricing for licences expiring 2015-16.

Trai had recommended a pan-India reserve price of ₹2,685 crore per megahertz for 800 MHz band, used for offering CDMA services.

The GSM players were of the view that 800 MHz and 900 MHz spectrum have similar propagation characteristics and are being used for the deployment of broadband technologies such as 3G and LTE.

"The coverage in 900 MHz is roughly double that in 1800 MHz. The reduction in capital and operational expenditure could be as much as 40 per cent. Operations in the 800 MHz band enjoy similar advantages," Vodafone said.

On the reserve price for 1800 MHz band, most of the telecom players unanimously said base price recommended by the Authority in September 2013 may be used for the next auctions as well. *PTI*

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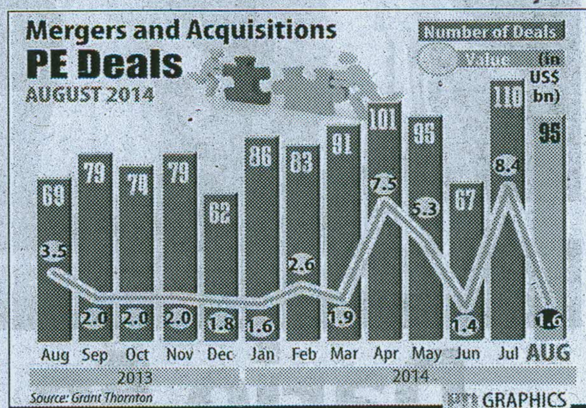
Fewer telcos better, says Trai

Regulator suggests easing rules for telecom M&A

AGE CORRESPONDENT
NEW DELHI, SEPT. 22



Telecom regulator Trai believes that the current merger and acquisition (M&A) rules in the telecom sector need to be reworked by the government to bring consolidation in the sector which has too many players.

"No jurisdiction in the world has 12 operators, mostly the countries have 5 or 4 telecom players and at some places 2. For this to happen (here) merger and acquisition guidelines have to be reworked," said Trai chairman Rahul Khullar.

Mr Khullar was of the view that the current guidelines have been a non-starter as M&A activity has not taken place despite the industry being in dire need for consolidation.

"I think the industry is in dire need of consolidation, its simply just cannot carry on like this with 10-12 operators, some of them bleeding to death and it has to stop," said the Trai chief.

In the recent years, the balance sheet of the telecom players has been bleeding due to fierce competition.

However, some telecom operators margin are showing improvement and they have been able to hike tariffs.

The government has allowed mergers between firms with up to 50 per cent combined market share.

There have been reports of some telecom players being interested to sell off due to huge financial burden.

However, these mergers have not happened due to various issues effecting the sector including spectrum and uncertainty on regulatory side faced by the sector.

Telecom M&A Guidelines Need To Be Reworked: TRAI Chairman Rahul Khullar

Tuesday, 23 September 2014

The telecom regulator on Monday was critical of mergers and acquisitions guidelines that didn't facilitate muchneeded consolidation.

"DoT (Department of Telecommunications) issued some M&A guidelines. These guidelines are a non-starter and no M&A can take place within those guidelines," said Rahul Khullar, chairman of the Telecom Regulatory Authority of India (Trai).

"I think the industry is in dire need of consolidation and it can't go on this way," Khullar added, while speaking at an 'open house' discussion with the telecom industry. The session was on pricing of airwaves in the 1800 Mhz and 900 Mhz bands that would likely be auctioned early next year.

It's been more than six months since the previous UPA government issued revised M&A rules but there hasn't been a single major deal. There has only been the odd Bharti Airtel-Loop Mobile subscriber and infrastructure sale deal for the Mumbai circle that is yet to be cleared by DoT. None of the reported M&A talks between Tata and Vodafone, Tata and Uninor or a three-way deal among Tata, Aircel and Sistema have fructified so far.

The new M&A rules had raised the cap on the market share of a merged entity in a circle to 50% from 35% earlier, but retained a contentious clause that requires a buyer to pay market-linked prices for spectrum that comes with any acquisition. This clause, most operators said, was the biggest factor behind deals not being inked, as it raised the cost of acquisition.

Other hurdles included a clause that allowed a merged entity to hold a maximum of 25% spectrum allocated in a service area and 50% in a particular band. This practically ruled out the big three - Airtel, Vodafone India and Idea Cellular - from striking a deal among themselves but allowed them to do so with smaller operators but only in limited circles. The clause however allowed the smaller operators to combine among themselves.

"The industry is bleeding. There are 12 operators here. Globally, each country has three to four telecom service providers. Some places it is just two. Despite notifying, no consolidation has happened," Khullar said. He was referring to how the intense competition has led to smaller operators running up thousands of crores of debt, a deterrent for any potential suitors.

Apart from the lacunae in the M&A rules, those on other modes of direct or indirect consolidation - spectrum trading and sharing -are yet to be cleared by the DoT, despite Trai having recommended these months back.

Trading allows operators to sell airwaves that they aren't utilising. This offers an exit route for a struggling operator apart from an M&A deal. Sharing on the other hand allows operators to pool resources without selling to one another. Both though provide another avenue for stronger operators to beef up their bandwidth holdings, without having to take part in auctions, and could allow weaker players a way to monetise their spectrum assets.

"We have already submitted our recommendation and the telecom department now has to come out with the rules on sharing and trading of airwaves to pave consolidation of the sector," Khullar said. The government though has recently said that sharing and trading rules will be out by the year end.

The industry on its part requested the regulator to speak to DoT for an early notification of the spectrum trading and sharing rules before the government auctioned airwaves.

Separately, the GSM operators said the reserve price for 900 MHz in the forthcoming spectrum auction should be same as that for the 800 MHz band used by CDMA players because both the bands have similar propagation characteristics.

"We propose that the reserve price of 800 MHz band as finally accepted by the government based on the Trai's recommendations dated February 2014 shall be used for 900 MHz band also," Bharti Airtel said.

Trai has recommended a pan-India reserve price of Rs 2,685 crore per Mhz for 800 MHz band, typically used for offering CDMA services. The GSM players were of the view that 800 MHz and 900 MHz spectrum have similar propagation characteristics and are being used for the deployment of broadband technologies such as 3G and LTE. "The coverage in 900 MHz is roughly double that in 1800 MHz. The reduction in capital and operational expenditure could be as much as 40%. Operations in the 800 MHz band enjoy similar advantages," Vodafone India added. - *The Economic Times*

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