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Response to TRAI CP on “Valuation & Reserve Price of Spectrum: 2100 MHz Band”

Sistema Shyam Teleservices Ltd (SSTL) welcomes the opportunity extended by the TRAI to comment on issues relating to Valuation and Reserve Price for 2100 MHz spectrum Band. Our views on specific issues raised in the consultation paper are given below:

Q1. 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.

SSTL Response:

(i) SSTL suggests that in forthcoming auctions, Roll Out obligations should not be reviewed for all spectrum bands which auctioned and these should be left to the market forces.

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?

(i) In order to ensure sufficient competition in the market for provision of affordable quality of service, there is a need that **no artificial barriers/ restrictions are created for participate in the auction.** Any restriction on bidding would be against the principle of fair and transparent auction.



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- (ii) **There should be a uniform cap for spectrum holdings** per LSA as has been done in previous auctions. Therefore, we recommend that the spectrum caps of "50% of total spectrum in a band/25% of total spectrum assigned across bands" in a LSA, should also be applied to all upcoming auctions including 2100 MHz band.

Q5. 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 approach should be adopted to value the 2100 MHz spectrum?

SSTL Response:

- (i) SSTL believes that the 2100 MHz spectrum band is one of the most commonly used spectrum band to provide IMT services. The 2100 MHz spectrum band has excellent eco system and TSPs get benefit of economies of scale. Therefore, 2100 MHz spectrum band would have higher valuation than any other spectrum band.



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- (ii) The propagation characteristic of frequencies alone cannot be the most important factor in deciding the spectrum valuation. It would not be correct to derive the value of 2100 MHz band on the basis of the value of the 1800 MHz spectrum using the technical efficiency factor (0.83). The correct valuation must take into account the availability of eco system of the relevant spectrum band, growing data usage through smartphones etc..
- (iii) It may be taken into account that significant amount of spectrum in 2100 MHz band is being released by the defence and therefore enough spectrum would be able to provide scalable good quality of service. The increased availability of 2100 MHz spectrum should be one of the most important factor which should be taken into account for deciding spectrum valuation.
- (iv) 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 higher levels compared to other LSAs. The similar trend was noted in other spectrum band and therefore metros will have higher valuation compared to other LSAs.
- (v) The growing usage of smartphones in last one year justifies higher valuation for 2100 MHz band compared to other spectrum bands. As per the reports, the import of smart phones is exponentially growing which would further add to the value of 2100 MHz spectrum band. Thus the value of spectrum in the 2100 MHz band should be estimated on the basis of the growth in data usage and fantastic opportunity to generate revenues through data access premium available through smartphones.
- (vi) The TRAI should also use the following models earlier used by the Authority for data services valuation:
 - a. 1.5 time the valuation of 1800 MHz
 - b. 2 times the valuation of 1800 MHz

Q10. What should be the ratio adopted between the reserve price for the auction and the valuation of the spectrum of 2100 MHz band?

- (i) SSTL supports the 80% ratio between reserve price and valuation. However, due to consistency requirement the spectrum valuation and Reserve Price should be same for Metro and A category circles.
- (ii) In other circles a ratio of 0.8 can be adopted between the reserve price and the valuation of the spectrum.