

Reliance Communications Limited Counter response to TRAI Consultation paper on Reserve Price for Auction of Spectrum in 800 MHz band

1. Reliance Communications Ltd (Rcom) has submitted its comments on TRAI consultation Paper on Reserve Price for Auction of Spectrum in 800 MHz. Further, responses of the stakeholders as available on the Authority's website were studied and we hereby submit our counter comments for kind consideration of the Authority.

Executive Summary:

2. At the outset, we reiterate our view that **the value of 800 MHz spectrum should not be derived on the basis of the value of 900/1800 MHz spectrum using any technical efficiency factors or futuristic potential data growth.** Before deriving any price for 800 MHz, TRAI should consider the various limitations w.r.t. to the ecosystem of the said band viz. lack of contiguity, limited multi carrier growth / expansion capability, limited User and Network equipment availability, lack of harmonization internationally and a diminishing subscriber and vendor base across the world. 800 MHz band is the least popular, has the least quantum of spectrum and thus has the lowest business potential. **Therefore, it should be at the lowest price due to almost unacceptable Techno-Economic feasibility.**
3. Based on the responses in the auction of spectrum in 1800 MHz and 900 MHz bands, TRAI had recommended huge reductions in the reserve price of spectrum in both these bands. Since the response to the auction of 800 MHz spectrum too, was more or less the same as for 1800/900 MHz spectrum bands. It is expected that TRAI would reduce the reserve price of 800 MHz spectrum in the same way to have a level playing field
4. Accordingly, we request that **the reserve price for 800 MHz spectrum, should be kept much lower than the already determined price of 1800 MHz during the auctions held earlier, or at the most it should be pegged at 0.65 times the latest recommended 1800 MHz reserve price as this ratio between 800 MHz and 1800 MHz was decided by the Union Cabinet earlier.**
5. **RCom disagrees with the GSM lobby's view for adoption of E-GSM band in 900 MHz.** In this regard, it may be noted that **DoT and EGoM have already rejected the TRAI recommendations (Sep'13) to apportion EGSM band from 800 MHz band.** Besides, the EGSM band requires vacation of frequencies by defence services, which is unlikely to happen in a definite time frame. Further, any attempt to apportion EGSM band from 800 MHz would not only disrupt and significantly impact the existing CDMA network operations. CDMA operators have existing right under UAS License to use CDMA spectrum till expiry of licence.
6. The Authority has always supported the policy of fair/active competition in the market and disallowed any view to lessen competition for the benefit of the customers. We therefore urge that the GSM lobby's anti-competitive view of adoption of EGSM and take back the CDMA spectrum on the **rationale of SLC** should be out rightly rejected. **This discriminatory approach would be death knell for CDMA operations and wipe out the only credible challenger to GSM industry.**

7. Our Counter comments will cover the following major views of the stakeholders:
 - **Adoption of EGSM band.**
 - **Valuation of 800 MHz should be equal to 900 MHz band.**
 - **Block size of 5 MHz for 800 MHz auction.**

8. **Stakeholder's View (COAI/Airtel/Voda/Idea): 'This spectrum should be auctioned as 900 MHz EGSM and not 800 MHz'.**
 - 8.1 The afore mentioned stakeholders have opined that Government should harmonize 800 MHz and make the 10 MHz CDMA band as EGSM band as a part of the overall 900 MHz band. In this regard, it may be noted that **DoT vide its letter dated 12th November 2013 has already rejected the Authority's view regarding the feasibility of adoption of EGSM in this band. Moreover, EGoM has also decided to auction 800 MHz as it is, and not to apportion spectrum in 800 MHz for EGSM. Therefore, we find no valid reason to debate again on the issue which has already been decided/settled by the Government.**

 - 8.2 Further, we would like to elucidate below the impact/challenges wrt to the adoption of EGSM on CDMA services:
 - 8.2.1 Adoption of E-GSM band will require vacation of 880-890 MHz band frequency and restricting CDMA operations to only 10 MHz spectrum 870-890 MHz. The proposed CDMA spectrum would thus be sufficient for only 2 operators and therefore others would be forced to close their operations. Thus EGSM proposal is highly unfair and discriminatory towards CDMA operators.

 - 8.2.2 The CDMA operators even today support around 75 million subscriber base including low strata customers and provide them most affordable telecom services. CDMA operators also provide high speed internet services in thousands of cities and towns in the country. The reach of CDMA based internet services is country wide and support significant number of internet subscribers. The discriminatory approach to cull out EGSM band would be death knell for CDMA operations and wipe out the only credible challenger to GSM industry. Moreover, PSUs are using this band for providing CDMA and RDELs services, which will be severely impacted if any EGSM band is created for GSM services.

 - 8.2.3 It may also be noted that CDMA operators have entered into a valid contract with the Government in 2001 and earned right to use CDMA spectrum till expiry of current licence. Hence, any action on the part of Government to divest the CDMA operators with their spectrum will make the contract non-workable and may lead to litigation.

 - 8.2.4 The EGSM band proposal for any operator would create unnecessary uncertainty and may impact further investment especially in the CDMA based data services sector.

 - 8.3 **DoT in its reply dated 20th Dec 2013 has informed TRAI that ' the Ministry of defence has intimated that shifting of frequencies from existing 925-935 MHz to 834-844 MHz cannot be**

done in a definite time frame'. Thus we do not see any possibility of creating EGSM band in near future.

8.4 In light of above facts, E-GSM band proposal should not be considered as it would not only disrupt and significantly impact CDMA network operations but will also cost the operators huge investment in terms of electronics, filters etc. Proposal to create EGSM band should be dropped so that customers as well as operators interest remain intact.

9. **Stakeholder's View(COAI/Airtel/Voda/Idea):** 'The value of spectrum in 800 MHz band should be equal, if not more than the value of spectrum in 900 MHz band'.

9.1 The above said stakeholders' have opined that the value of 800 MHz spectrum should be equal to 900 MHz and TRAI may adopt the valuation approach of 900 MHz as was used during sep'13 recommendations, for the determination of 800 MHz price.

9.2 At the outset it is submitted that the price for 800 MHz spectrum band and 900 MHz spectrum band in India are not comparable. In terms of propagation characteristics, 800MHz and 900MHz may be similar but these spectrum bands have entirely different technology deployment in India/internationally and thus are used for entirely different purposes. Also, 800MHz and 900 MHz spectrum cannot be considered to have same valuation as these are not complementary or substitutable for each other.

9.3 Moreover, spectrum valuation of CDMA 800 MHz spectrum band should be much lower compared to GSM 900 MHz spectrum band **as eco system for CDMA and GSM technologies are not comparable.** CDMA 800 MHz spectrum band suffers in terms of valuation for the following reasons:

9.4 **Challenged Eco-system for 800 MHz CDMA band:**

9.4.1 The Eco-system for CDMA services is deteriorating and number of customers worldwide on CDMA platform is less than 10% of the total mobile base. Rest > 90% of the mobile subscribers are on GSM technology.

9.4.2 CDMA equipment and devices have much higher prices compared to GSM due to economies of scale advantage heavily in favour of GSM. Devices supporting CDMA are limited leading to higher cost and poor acceptability.

9.4.3 CDMA technology is going through a challenging/tough phase of poor adoptability, low ARPU and declining MoU year on year. As per statistics available in TRAI's June 2013 PMR report, the voice ARPU of CDMA subscribers is almost 20% less than the ARPU of GSM subscribers. Additionally, MoUs per subscriber for CDMA are about 278 minutes compared to 388 minutes for the GSM subscribers.

9.4.4 There are issues concerning international roaming for the CDMA subscribers.

- 9.5 900 MHz has growth path in 1800 MHz and can be interchangeably used. 900 MHz spectrum band is being liberalized for deployment of new technologies like 3G/4G but same growth path is not available for CDMA in 800 MHz spectrum band.
- 9.6 **Further, international data on presently deployed 2G / 3G networks and networks planned to be deployed with futuristic technologies like 4G, clearly shows that adoption of 800 MHz band is marginal.** Even adoptability of 800 MHz band for worldwide deployment of 3G (UMTS) networks is much less in numbers when compared to the widely accepted 900/2100 MHz dual band. Thus, 3G ecosystem/device availability is likely to remain better in 900 MHz/2100 MHz than 800 MHz band. Therefore, operators' viewpoint that 800 MHz is an efficient band and has more data growth potential in the future, by deployment of 3G/4G technologies based services is ill-conceived and premature. Additionally, **European Commission has already taken a decision to adopt 900 MHz for 3G deployment**
- 9.7 Government of Taiwan has recently auctioned 1800 MHz spectrum in Oct'13, wherein, the final price of 1800 MHz was determined much more than the other auctioned bands. This was primarily due to the availability of eco-system for LTE deployment in 1800 MHz.
- 9.8 In light of the foregoing, it is clear that the valuation of 800 MHz cannot be based upon the technical or economical efficiency factor of this band. Therefore stakeholders view to derive 800 MHz price on the basis of 900 MHz price methodology of Sep'13 recommendations is incorrect.
- 9.9 Additionally, it may be noted that RCom in its reply to the present consultation has highlighted the facts regarding the massive global adoptability of 1800 MHz band (around 115 operators) for LTE deployment as compared to only 6 LTE networks in 800 MHz Band (5). Considering TRAI earlier recommendations wherein the Authority has already derived 1800 MHz price much lower than 900 MHz band and poor eco-system support for 800 MHz band vis a vis 1800 MHz, we request TRAI to fix price for 800 MHz much lower to 1800 MHz.
- 9.10 We therefore reiterate our request that the reserve price for 800 MHz spectrum, should be kept much lower than the already determined price of 1800 MHz during the auctions held earlier, or at the most it should be pegged at 0.65 times the latest 1800 MHz reserve price as this ratio between 800 MHz and 1800 MHz was decided by the Union Cabinet earlier.
10. **IDEA's View: 'Auction of 800 MHz should be done only in cases where 5 MHz contiguous spectrum is available'.**
- 10.1 IDEA has expressed the view that the block size for 800 MHz auction be kept 5 MHz and auction should be held in LSAs where 5 MHz contiguous spectrum is available.
- 10.2 In this regard, we request the Authority that the globally adopted standard block size of 1.25 MHz should be the block size in the 800 MHz band. It may be recalled that TRAI had recommended a block size of 1.25 MHz in the last two auctions held in November '12 and March'13 for 1800 MHz spectrum band. However, realizing that 200 KHz is the size of the carrier for 1800 MHz GSM technology, TRAI had recommended a 200 KHz block size for this spectrum band in September'13 recommendations.

10.3 **Accordingly, it is suggested that the block size for 800 MHz band should be kept at 1.25 MHz,** since the carrier size of CDMA technology is 1.25 MHz. Moreover, we request that the minimum number of Blocks to be bid by existing operator should be one and a new operator should be allowed to bid at least 2 blocks as was mandated in Jan'13 NIA. Any views to auction 800 MHz spectrum only in LSA wherein contiguous 5 MHz is available, will not only lead to revenue loss to the Government but will also impact the future expansion plans of the existing operators. It may also be recalled that TRAI had recommended auction of all available spectrum in 1800/900 MHz band without going in to the merits that it is contiguous or not.
