

Auction of 3G and BWA spectrum

Industry briefing

Department of Telecommunications
Ministry of Communications and IT
Government of India

December 12, 2008

Introduction

- The Government of India intends to allot spectrum blocks in the 2.1GHz, 2.3GHz and 2.5GHz bands through a *fair and transparent auction* process
- Separate auctions for 2.1GHz (3G Auction) and 2.3GHz and 2.5GHz bands (BWA Auction)
- Allotment to be carried out on service-area wise basis, though there will be a *simultaneous auction* for all service areas
- N M Rothschild and DotEcon are the Auctioneers advising the Government on the process

Objectives of the briefing

- *Provide information* on the expected timelines, spectrum to be auctioned, eligibility criteria and terms and conditions
- *Outline the framework* of the Auctions
- Provide a forum for stakeholders to raise questions and provide feedback

Opportunity highlights

- The Indian telecom services market is *one of the fastest growing* in the world
 - More than 10m wireless subscribers added in October 2008
- More than 310m wireless subscribers
- 140 state-of-the art Networks (94 GSM + 42 CDMA)
- Penetration rates (c.30%) remain lower than comparable markets, offering potential for rapid growth
- Consumer data services remains a largely *untapped opportunity*
- Government encourages both existing as well as new entrants to take part and will endeavour to create a level playing field



Key enabling measures

- 1 Prospective new entrants allowed to acquire a UAS licence *after* winning in Auction
- 2 Foreign operators allowed to bid as *100% foreign entities*
 - Spectrum to be allotted only to an Indian subsidiary after it acquires a UAS licence
- 3 Implementation of intra-service area **MNP** underway
 - MNP in metros by mid-2009; rest of the country by end-2009
- 4 *MVNO* policy to be announced shortly
- 5 *Infrastructure sharing* encouraged
- 6 Abolition of *Access Deficit Charges*
- 7 Relaxation of *ECB guidelines*
- 8 Support from USOF for cellular and broadband services in rural areas

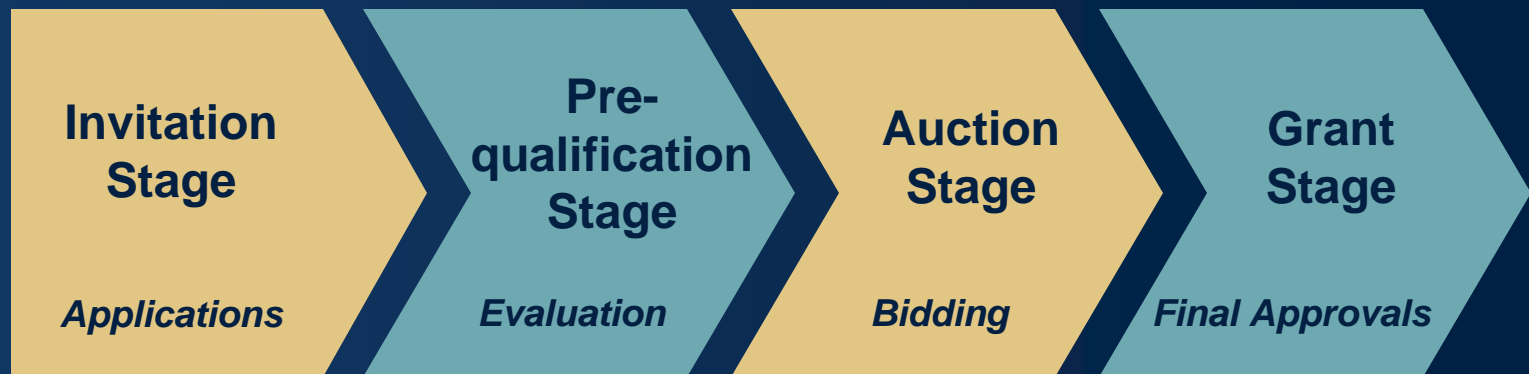
Auction objectives

- *Maximise revenue* proceeds from the Auctions
- Ensure *efficient use of spectrum* and avoid hoarding
- *Stimulate competition* in the sector, promote rollout of 3G and Broadband services and help resolve 2G congestion issues
- Conduct the Auctions in a *timely and transparent* manner

Auction process

Process

The auction would be conducted in four stages over the next two months



Auction process

Timeline

Presentation on Auction process	12th December, 2008
Pre-bid conference	23rd December, 2008
Final date for Applications	5th January, 2009
Publication of ownership details of Applicants	6th January, 2009
Bidder Ownership Compliance Certificate	8th January, 2009
Pre-qualification of Bidders	9th January, 2009
Mock Auction	12th - 13th January, 2009
Start of the 3G Auction	16th January, 2009
Start of the BWA Auction	2 days from the day of close of the 3G Auction

Spectrum to be auctioned

3G

- Upto 4 blocks of 2X5MHz in the 2.1GHz band to be auctioned
 - 1 block reserved for BSNL/ MTNL

BWA

- 4 blocks of unpaired 20MHz in the 2.3 and 2.5GHz bands to be allotted in each of the 22 service areas
 - 1 block (in the 2.5GHz band) allotted for BSNL/ MTNL
 - Remaining 3 blocks to be auctioned

An operator can bid for only one block in each Auction

Spectrum to be auctioned

Process highlight

- Only available spectrum to be auctioned - no waiting list to be maintained
- Allocation of spectrum to the winning bidders within 15 days of deposit of the final bid amount
 - Within 30 days of the close of auction
- No further auction for the next 12 months after this auction
 - If so, Reserve Price to be set at the winning price for this auction

Eligibility

Basic criteria

3G

- Existing UAS/ CMTS licensees
- Other operators having prior experience of offering 3G services
 - Such operators to give an undertaking of acquiring a UAS licence before commencing operations
- Foreign operators allowed to bid as 100% foreign entities, however spectrum will be allotted only to an Indian subsidiary after it acquires a UAS licence

Eligibility

Basic criteria

BWA

- Existing UAS/ CMTS/ ISP (Category 'A' or 'B') licensees
 - ISP Category 'B' licensees that win spectrum will be migrated to Category 'A' at no extra cost
- Other interested parties
 - Such parties to give an undertaking of acquiring a UAS licence before commencing operations
- Foreign parties allowed to bid as 100% foreign entities, however spectrum will be allotted only to an Indian subsidiary after it acquires a UAS licence

Eligibility

Group entities

- Only one entity from the same Group would be allowed to bid in the Auction process
- Existing licensees with Common Parent (Associated Licensees) to bid through a single entity (Group Bidding Entity) across all service areas
 - “Common Parent”
 - 26% or more ownership with control; or
 - Classified as part of Promoter Group in stock exchange filing
- Licence to be awarded to the relevant Associated Licensee, wherever present
- More than one Bidder with greater than 10% common ownership not allowed to enter the Auction (separately applicable to the 3G and BWA Auctions)

Key terms

3G

- 20 year validity; subject to continuance of UAS/ CMTS licence
 - Existing licence to be extended in the year before expiry to make it co-terminous with spectrum allocation period
- Technology neutral
- Spectrum fees
 - Upfront acquisition fees (determined by Auction)
 - Spectrum usage charges (as notified by the Government from time to time)
- Rollout obligations (in 5 years)
 - 90% of metro area
 - 50% of DHQs or cities in the service area out of which 15% of the DHQs should be rural SDCAs

Key terms

BWA

- 15 year validity; subject to continuance of UAS/ CMTS/ ISP licence
 - Existing licence to be extended in the year before expiry to make it co-terminous with spectrum allocation period
- Technology neutral
- Scope of services governed by type of licence
- Spectrum fees
 - Upfront acquisition fees (determined by Auction)
 - Spectrum usage charges (as notified by the Government from time to time)
- Rollout obligations (in 5 years)
 - 90% of metro area
 - 50% rural SDCAs coverage

Auction details

Auction format overview

- Service area-wise bidding
 - Flexibility (subject to Auction Rules) to shift bids across service areas in different rounds
 - Eligibility points provided upfront
 - Bidding for different service areas to start and end at same time
- Simultaneous ascending two stage auction
 - Stage I: Clock auction (Clock Stage)
 - to identify winners for each service area
 - price increments set based on pre-approved rules
 - winning prices determined when the number of bidders is at least equal to number of blocks auctioned in each circle
 - Stage II: Single-stage bidding (Assignment Stage)
 - to assign specific frequencies in each service area to winners from Clock Stage

Auction details

Key auction logistics

- e-Auction
 - conducted via an internet-based software platform
 - Bidders can place bids on their own IT infrastructure
 - All valid bids to be encrypted, protected by passwords and authenticated by digital certificates

- Indicative Auction timing
 - Scheduling of Rounds – between 9am and 7pm, Monday to Friday (except National Holidays)
 - Duration of a Bidding Round – 30-60 minutes; with each Bidder allotted an extension budget of 2 hours
 - Time between Bidding Rounds – 30 minutes

Auction details

Spectrum acquisition price

- Price paid by successful bidder will be the sum of:
 - winning price from the Clock Stage for that service area; and
 - incremental bid placed by the Bidder in the Assignment stage
- Winning price for a service area to be common for all Bidders
 - To be determined by the maximum price which “clears” the demand for blocks in each service area at the same time
- Incremental bid placed by winning Bidders will represent the value placed on specific frequencies
- 25% of final bid amount payable within 5 days from close of auction; balance 75% payable within 10 days thereafter

Further information

- Information Memorandum will be uploaded on the DoT website
- Formal Notice Inviting Applications will be issued shortly
- Pre-bid conference on 23rd December
- Mock Auction for eligible Bidders in January
- Queries can be addressed to spectrum-dot@nic.in

Thank you

The Industry Briefing and the presentation therein are for general guidance of the interested parties. They do not constitute professional advice. For a complete and definitive statement of the terms and conditions of the Auctions, interested parties should refer to the Notice Inviting Applications (“Notice”) to be issued by the Department of Telecommunications.

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