

**No. 3-10/2012-Fin./Auction
Government of India
Ministry of Communications and IT
Department of Telecom
Sanchar Bhawan, 20, Ashoka Road,
New Delhi**

20th July, 2012

Subject: Clarifications to queries/ suggestions in response to RFP for selection of auctioneer

In continuation of the clarifications issued vide this office communication of even no. dated 15th June, 2012, the clarifications in respect of further queries received are as follows:

Query 1. Clause 1.7.2: In its financial bid, the bidder shall quote its fee as a percentage of the difference between the winning bid and the reserve price. For the sake of clarity, the payment to be made to the successful bidder (Auctioneer) after completion of successful auction as acceptable to Government of India in 22 service areas shall be governed by the following formula.

$$\sum_{i=1}^{22} \text{Approved bid of selected bidder} \times (H_i - R_{P_i})$$

Where, Approved bid means the percentage of the difference between the winning bid from auction and the reserve price for that service area,

H_i is the highest bid received and accepted by the Government of India (Winning Bid) of respective service area i ,

R_{P_i} is the reserve price of the respective service area i , for the 1800MHz and the 800MHz auction separately,

22 is the number of service areas

This quoted fee covers the fee for conducting auctions in both 1800MHz and 800MHz bands.

What is meant by successful auction? For Eg: if all the spectrum blocks auctioned are not sold during the auction, would it be considered as successful auction? Also, does completion of successful auction mean auctions in both the bands - 1800MHz and 800MHz?

Does 'Hi' mean the highest bid received and accepted from a single bidder for one block of spectrum on auction or does it cover all the spectrum blocks on auction in a service area?

When would the 'R_{Pi}' (Reserve Price) be provided? In case 'R_{Pi}' is provided after submission of the bid/ selection of the successful bidder and is considered too high by the bidder, what are the exit options for the bidder?

Reply: Successful auction means the auction where the results are accepted by Government of India. Completion of successful auction applies separately to 1800MHz and 800MHz bands.

'Hi' mean the highest bid received and accepted for one block of spectrum on auction.

Regarding Reserve Price, the change in the formula for payment to the successful bidder may please be seen in "Amendment No.4" to the RFP on DoT website.

Query 2. Clause 1.11.2: In case DOT identifies more number of blocks of spectrum in a particular service area subsequent to the completion of e-auction process of that area, the Government may

ask the successful bidder (Auctioneer) to again conduct the e-auction of this area within the currency of the contract. This will be construed as new auction and the successful bidder shall be paid additionally in the manner as defined in para 1.7.2 above.

What is the currency/duration of the contract? In case the auctions are not successful (due to factors outside the control of the auctioneer, eg: high reserve price etc), would the same auctioneer be appointed while re-auctioning these bands: 1. Within the currency of the contract 2. After the currency of the contract?

Reply: Duration of contract is one year from signing of the contract. The contract period may be extended if required.

Query 3. Clause 1.11.3: Drop dead fee: A lump sum drop dead fee of Rs. 2.5 lakhs per service area will be paid to the successful bidder (Auctioneer) in the following cases:

- a) the Government abandons the auction at any stage after award of the contract to the auctioneer in one or more or all of the service areas.
- b) the winning bid received is above the reserve price but not acceptable to the Government.
- c) the winning bidder in the auction of spectrum, after acceptance of the offer by the Government, fails to pay the bid amount arising from the auction process.

In case of option (a) above, the total drop dead fee will be limited to a maximum of Rs. 10 lakh only.

Since the above factors are outside the control of the auctioneer, we feel that the drop dead fee (especially if limited to Rs.10 lakh in case of (a) above) does not justify the extent of efforts. We request you to reconsider the same.

Reply: No change in drop dead fee amount.

Query 4. Clause 1.13.2: DOT reserves the right to modify terms and conditions of the contract which shall be granted to the successful bidder after the bidding process, if in the opinion of the DOT, it is necessary or expedient to do so in public interest or interest of the security of the State or for proper conduct of the e-auction. The decision of the DOT shall be final and binding in this regard.

What are the exit options for the successful bidder in such cases if the revised terms and conditions are not acceptable to the auctioneer?

Reply: This is a standard clause.

Query 5. Annexure-V: We _____ (indicate the name and address and other particulars of the Bank) hereinafter referred to as 'the Bank') at the request of the AUCTIONEER hereby irrevocably and unconditionally guarantee to the Authority that the AUCTIONEER shall render all necessary and efficient services which may be required to be rendered by the AUCTIONEER in connection with and/or for the performance of successful e-auctions as per the above said Contract and further guarantee that the service which shall be provided by the AUCTIONEER under the said LOI/contract, shall be actually performed in accordance clause _____ of terms and conditions of the contract to the satisfaction of the Authority.

What are the terms and conditions, violation of which may lead to PBG being invoked?

Reply: Please see paras 3, 4 and 5 of the Bank Guarantee proforma.

Query 6. Is it 1.25 x 8 block per circle or there are more blocks available for auction in 1800 MHz range?

Reply:

- In 1800 MHz band, a minimum of 8 blocks each of 1.25 MHz (10MHz), will be put to auction in all service areas. In addition, a provision may also be made for spectrum up to 3 blocks each of 1.25 MHz (3.75MHz), wherever available, for topping up the 8 blocks of spectrum put for auction i.e. upto a total of 11 blocks each of 1.25 MHz to meet the requirement of new entrants, if such an exigency arises.
- The existing operators will be allowed to take maximum two blocks of 1.25 MHz each.
- New entrants will be required to bid for minimum of 4 blocks each of 1.25 MHz.
- New entrants will also be allowed to bid for one additional block of 1.25MHz.

Query 7. Is it 1.25 x 3 block per circle or there are more blocks available for auction in 800 MHz range?

Reply:

- 3 blocks each of 1.25 MHz (3.75 MHz) will be put to auction. In addition, a provision may also be made for spectrum of 1 block of 1.25 MHz, wherever available, for topping up the 3 blocks of spectrum put to auction to meet the requirement of new entrants, if such an exigency arises.
- Existing operators will be allowed to bid for 1 block of 1.25 MHz.
- New entrants will be required to bid for a minimum of 2 blocks each of 1.25 MHz.
- New entrants will also be allowed to bid for one additional block of 1.25 MHz.

Query 8. What are the existing Rates for these blocks?

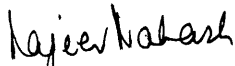
Query 9. What is the approx. total volume available for auction in terms of INR?

Reply (to 8 & 9): Reserve Price for these blocks in each telecom service area will be decided and announced later.

Query 10. As a growing young organisation, we humbly submit that a consortium be permitted to bid in tender for selection of an e-auctioneer to DOT for e-auction award of Spectrum in 800 and 1800 Mhz bands and upholding the spirit of consortium, combined authorised capital and net worth of participating members in the consortium be permitted to be taken together for arriving at the qualifying criteria set for the same.

Further there are still many grey areas in the tender called for as to regarding selection criteria for award of spectrum among new and existing players and accordingly the bidding rules. Considering the criticality of such a big ticket event which has potential to reap in substantial revenue to Government exchequer, we humbly submit that the closing date for the tender called for, for selecting e-auctioneer be extended to create a win-win situation for Government and spectrum bidders as well as e-auctioneer.

Reply: i) No change in eligibility criteria pertaining to Paid-up capital and net worth.
ii) Last date for submission of bids has been extended. Please see DoT website www.dot.gov.in for details.


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Director (TF)