

**GOVERNMENT OF INDIA**  
**MINISTRY OF COMMUNICATION AND INFORMATION TECHNOLOGY**  
**RAJYA SABHA**  
**QUESTION NO 19.11.2009**  
**ANSWERED ON**  
**AUCTION OF G SPECTRUM .**

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SHRI S.S. AHLUWALIA

Will the Minister of COMMUNICATION AND INFORMATION TECHNOLOGY be pleased to state :-

- (a) whether allocation of 3G Spectrum is decided to be made through auction;
- (b) if so, salient details of the process decided to be pursued for the same;
- (c) the details of the period when the final decision regarding the process was taken by Government, indicating the period when the process is finally expected to be completed; and
- (d) the reasons for prolonging the process?

**ANSWER**

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY

(SHRI GURUDAS KAMAT)

(a) Yes, Sir.

(b) For auction of 3G spectrum, a controlled, simultaneous, ascending e-auction shall be conducted as per the 3G spectrum guidelines issued on 1st August 2008 and with certain amendments on 11th September 2008. Empowered Group of Ministers (EGoM) in the meeting held on August 27, 2009 has decided among others, number of blocks of 3G spectrum to be auctioned and its reserve price.

(c) Revised Information Memorandum indicating the various aspects associated with the 3G auction has been issued on 23/10/2009 and published on Department of Telecommunications (DoT) website. The time line for 3G auction, mentioned in the revised Information Memorandum, is enclosed as Annexure.

(d) Does not arise in view of (c) above

Auction of 3G and BWA Spectrum – Revised Information Memorandum

1.1.11 Timetable

The Auctions shall be carried out in 4 stages as below:

Figure 1. Stages in the Auction process

Invitation Stage Pre-qualification Stage Auction Stage Grant Stage Applications Evaluation Bidding Final Approvals

There is no pre-set timetable and the Government reserves the right to determine the overall timetable of the Auctions or to amend it from time to time. However, the table below sets out an indicative timetable.

Table 7. Indicative Timetable

Deadline for submission of questions for per-bid conference 13th November, 2009 Pre-bid conference 16th November, 2009 Issue of clarifications, if any 27th November, 2009 Notice Inviting Applications 8th December, 2009 Final date for Applications 21st December, 2009 Publication of ownership details of Applicants 24th December, 2009 Bidder Ownership compliance Certificate 4th January, 2009 Pre-qualification of Bidders 7th January, 2009 Mock Auction 11th -12th January, 2009 Start of the 800 MHz and BWA Auctions 2 days from the day of close of the 3G auction Payment of Bid Deposit by Successful Bidders Within 5 calendar days of the close of the relevant Auction Payment of the balance amount (Successful Bid Amount less Bid Deposit) Within 15 calendar days of the close of the relevant Auction Note: Any change in the Auction Timelines will be communicated to bidders through the auctions website. Participants are requested to monitor the Auctions website actively.

Clarification/Amendments to the Guidelines for Auction and Allotment of Spectrum for 3G Services issued on August 01, 2008

A number of queries/requests for clarifications and suggestions for amendment were received from various sources on the guidelines for Auction and Allotment of Spectrum for 3G Services issued by DoT on August 01, 2008. Based on the feedbacks and inputs received, following clarifications/amendments are provided:

Para No. of guidelines Existing Substituted by (a) (b) (c) 2. Eligibility for Bidding for 3G Spectrum

Any person

(i) who holds a UAS licence or

(ii) who fulfills the eligibility criteria for obtaining a Unified Access Services Licence (UASL) as per Department of Telecommunications guidelines dated 14.12.2005 and has previous experience of running 3G telecom services

can bid for 3G spectrum Any person

(i) who holds a UAS/CMTS licence; or

(ii) (a) who has previous experience of running 3G Telecom Services; and

(b) gives an undertaking to obtain Unified Access Services Licence (UASL) as per Department of Telecommunications guidelines dated 14.12.2005 before starting telecom operations can bid for 3G spectrum

3. Amount of Spectrum Sub para 3.2 Spectrum shall be auctioned in the 450 MHz band, in 800 MHz band for EVDO services, and in 1900 MHz band (1900 – 1910 paired with 1980-1990 MHz) when it becomes available. UASL CDMA telecom service providers may have the option to seek 2x1.25 MHz in 800 MHz band subject to availability at a price equivalent to the highest winning bid in 2.1 GHz auction prorated to a per 2x1.25 MHz price. The seniority for allotment shall be the subscriber base in a telecom service area. Spectrum shall be auctioned for 3G services in the 450 MHz band, 2x1.25 MHz in 800 MHz band for EVDO services, and in 1900 MHz band (1900 – 1910 paired with 1980-1990 MHz) when it becomes available.

The reserve price for auction of one block of 2x1.25 MHz spectrum in 800 MHz band shall be 25% of reserve price for 2x5 MHz in 2.1 GHz band. The reserve price for one block of spectrum in 450 MHz and 1900 MHz bands would be notified separately.

4. Mergers and Acquisitions Sub para 4.1 Mergers and acquisitions shall be as per policy guidelines on the subject issued by DOT vide No. 20-100/2007-AS-I dated 22nd April 2008 or any subsequent revision thereof. Mergers and acquisitions shall be as per policy guidelines on the subject issued by DOT vide No. 20-100/2007-AS-I dated 22nd April 2008 or any subsequent revision thereof. This policy is applicable for merger between two UASL holders only in a service area.

7. Grant of Licence. Sub para 7 (d) If the period of existing UAS telecom licence of a successful bidder is expiring before this period of 20 years for spectrum allotment for 3G services, its existing UAS licence shall be extended in the 19th year of its validity to a date 20 years from the date of 3G spectrum allotment at a price as may be determined by the Government at the

time of extension of licence. This extension shall be done in the 19th year of the UAS licence for the period required to make it co-terminus with the 3G spectrum allocation period by amending licence conditions if required. If the period of existing UAS telecom licence of a successful bidder is expiring before this period of 20 years for spectrum allotment for 3G services, its existing UAS licence shall be extended in the 19th year of its validity to a date 20 years from the date of 3G spectrum allotment in such manner, as the Government deems fit. This extension shall be done in the 19th year of the UAS licence for the period required to make it co-terminus with the 3G spectrum allocation period by amending licence conditions if required.

#### 10. Spectrum Usage Charges:

No annual spectrum charge shall be payable for 3 G Telecom services in the first year from the date of allotment of spectrum.

The licensee shall pay annual spectrum charge of 1% of AGR after a period of one year.

No annual spectrum charge shall be payable for 3 G Telecom services in the first year from the date of allotment of spectrum.

The licensee shall pay annual spectrum charge of 1% on the incremental revenue due to 3G services after a period of one year. The method of calculation shall be notified separately.

#### 11. Other issues

The Government of India reserves the right to cancel the bidding process or disqualify any bidder.

The Government of India reserves the right to cancel the bidding process or disqualify any bidder without assigning any reason.

Government of India Ministry of Communications & IT Department of Telecommunications WPC Wing Dated 1 August 2008

#### Guidelines for Auction and Allotment of Spectrum for 3G Telecom Services

The Government of India hereby announces the following guidelines for auction and allotment of spectrum for 3G telecom services.

#### 1.Frequency Bands:

Spectrum in 2.1 GHz band shall be allocated for 3G telecom services through bidding/ auction;

#### 2.Eligibility for Bidding for 3G Spectrum

Any person

(i) who holds a UAS licence or

(ii) who fulfils the eligibility criteria for obtaining a Unified Access Service Licence(UASL) as per Department of Telecommunications guidelines dated 14.12.2005 and has previous experience of running 3G telecom services

can bid for 3G spectrum.

#### 3.Amount of Spectrum

3.1 Spectrum shall be auctioned in blocks of 2x5 MHz in 2.1 GHz band. The number of blocks to be auctioned may vary from 5 to 10 subject to availability in different telecom service areas. In exceptional cases of non-availability, the number of blocks may be less than 5 in a telecom service area. The actual number of blocks to be auctioned in a telecom service area will be announced well before the auction.

(a) The auction of spectrum shall be telecom service area wise as defined in UAS guidelines dated 14.12.2005 subject to availability. Each successful bidder shall be allocated only one block in a telecom service area.

(b) The bidders can make bids for one block of 2 x 5 MHz each for 3 G telecom services in the 2.1 GHz band (1920 – 1980 MHz for uplink and 2110–2170 MHz for downlink) in a telecom service area.

(c) The technology used would have to co-exist with other technologies/ services/applications operating in 2.1GHz band.

3.2 Spectrum shall be auctioned in the 450 MHz band, in 800 MHz band for EVDO services, and in 1900 MHz band (1900 – 1910 paired with 1980-1990 MHz) when it becomes available. UASL CDMA telecom service providers may have the option to seek 2x1.25 MHz in 800 MHz band subject to availability at a price equivalent to the highest winning bid in 2.1 GHz auction prorated to a per 2x1.25 MHz price. The seniority for allotment shall be the subscriber base in a telecom service area.

#### 4. Mergers and Acquisitions

Mergers and acquisitions shall be as per guidelines on the subject issued by Department of Telecommunications vide No. 20-100/2007-AS-I dated 22nd April 2008 or any subsequent revision thereof.

#### 5. Reserve Price & Earnest Money for the Bids

The 'Reserve Price' for a 2 x 5 MHz block of spectrum for each of Metro Category 'A' areas, Category 'B' & 'C' service areas shall be as under:

Service Area Reserve Price (Rs. in crore) Mumbai, Delhi and Category 'A' 160 Kolkata & Category 'B' 80 Category 'C' 30 In the event of subsequent auctions, due to more spectrum becoming available, the reserve price will be the highest bid price of the last auction. The earnest money (in the form of a Bank Guarantee from a Schedule Bank) shall be 25% of the reserve price.

6. Auction Process Auction amount as per successful bid shall be payable upfront. For this purpose, a controlled, simultaneous, ascending e-auction shall be conducted, as per details to be notified separately. The broad stipulations shall be as follows:-

(a) The bidding shall be service area wise.

(b) The reserve price for auction shall be set for each service area.

- (c) The bid shall be submitted in Rupees for a block of 2 x 5 MHz spectrum for 2.1 GHz band.
- (d) Successful bidder shall deposit 25 per cent of the successful bid amount as bid deposit within 5 days of the close of the auction, failing which the earnest money shall stand forfeited.
- (e) Successful bidder shall deposit the balance amount (bid amount – bid deposit) within fifteen calendar days of the bid, failing which the earnest money shall stand forfeited.
- (f) Neither a bidder can withdraw a bid after placing, nor it can reduce a bid in subsequent rounds. If a bidder withdraws a bid at any point of time, the earnest money deposited shall stand forfeited.
- (g) The Government of India reserves the right to disqualify any bidder violating these rules.
- (h) If the number of bids is less than or equal to the number of spectrum blocks available in the service area, the spectrum shall be allocated to all the bidders at the highest bid price. If the number of bids is greater than the number of spectrum blocks available, the auction shall proceed as per e-auction rules.
- (i) One block shall be allocated to MTNL in Delhi and Mumbai/Metro service Areas and BSNL in other Service Areas at a price equal to the highest bid in the respective service area. When the number of bidders left is equal to the number of blocks of spectrum being auctioned in any service area, the auction shall be closed. All the bidders shall have to match the bid of the highest bidder (H1). In case they do not match, then that block would be offered to the next highest bidder at the highest bid price (H1). If any block is left vacant then that block shall be re-auctioned.
- (j) The top bidders shall be called in decreasing order of their bids to choose which block of spectrum they wish to be allocated.
- (k) If there is a tie between more than one bidder, then preference would be given to an existing service provider in that telecom service area.
- (l) If there is a tie between more than one bidder who are all existing service providers in that telecom service area, preference would be given to the bidder with the highest subscriber base.

## 7 Grant of Licence.

(a) The successful bidder shall get spectrum allotment for 3 G services for a period of 20 years. Successful bidders who are not UAS licensees would be granted a separate UAS Licence for the concerned service area under Indian Telegraph Act, 1885. The terms and conditions of existing UAS licence shall be amended accordingly.

(b) The successful bidder shall obtain SACFA clearance and a separate wireless operating licence from

Wireless Planning and Coordination (WPC) Wing as per prescribed procedure.

(c) In case UASL is cancelled/terminated for any reason, the spectrum allotted shall stand withdrawn forthwith;

(d) If the period of existing UAS telecom licence of a successful bidder is expiring before this period of 20 years for spectrum allotment for 3G services, its existing UAS licence shall be extended in the 19th year of its validity to a date 20 years from the date of 3G spectrum allotment at a price as may be determined by the Government at the time of extension of licence. This extension shall be done in the 19th year of the UAS licence for the period required to make it co-terminus with the 3G spectrum allocation period by amending licence conditions if required.

(e) A separate entry fee shall be payable for grant of UAS licence for 3G Telecom Services in addition to 3G spectrum auction price. This shall be equal to the entry fee of the UAS licence. .

#### 8. Roll Out Obligations:

The roll out obligations for 3G services in various service areas shall be as follows:

Category of Circle At the End of 3 Years From Date of 3G Spectrum Allocation At the End of 5 Years From the Date of 3G Spectrum Allocation Metros

A, B and C -

- 90% of metro area

50% of the DHQs or cities in the service area out of which 15% of the DHQs should be rural SDCAs.

#### 9. Penalty for Spectrum Hoarding:

If licensee does not achieve its roll out obligations under para 8 above, it shall be given a further period of one year to do so by making payment of 2.5 percent of its successful auction bid (i.e. spectrum acquisition price) per quarter or part thereof as penalty. If licensee does not complete its roll out obligations even within the extended period of one year, the spectrum assignment shall stand withdrawn.

#### 10. Spectrum Usage Charges:

No annual spectrum charge shall be payable for 3 G Telecom services in the first year from the date of allotment of spectrum.

The licensee shall pay annual spectrum charge of 1% of AGR after a period of one year.

#### 11. Other Issues:

The Government of India reserves the right to amend or modify these terms and conditions before the commencement of auction process. The final conditions shall be as indicated in the bidding document.

The Government of India reserves the right to cancel the bidding process or disqualify any bidder.

Trading/sharing of spectrum, if any, shall be governed by policy as may be determined by the Government of India.

Auction shall be conducted by an independent expert agency to be appointed for this purpose by the Government of India.