December 12, 2005

Director General of Telecommunications
Telecommunications Regulatory Commission
276, Elvitigala Mawatha
Colombo 8

Dear Sir,

Consultation on Spectrum Allocation for 3rd Generation (3G) Mobile Services

We refer to your letter dated 16th November 2005 and 2nd December 2005 on the captioned.

We wish to place on record our appreciation to the TRCSL for taking this initiative and thereby ensuring that transparency is upheld.

As a prelude to answering the specific queries raised in your consultative paper we wish to point out the following position and would thank TRCSL to consider this position when taking into consideration comments we have stated herein.

Mobitel Position

Third generation (3G) mobile technology represents a further major evolution in mobile communications, with sharper emphasis on high speed data services. High data rates on 3G will enable large volumes of data to be transmitted at high speeds so that new applications untied to location, like high speed internet browsing, mobile video conferencing, multimedia exchanges, services such as telemedicine, banking can become commonplace. While we are appreciative of TRCSL on the launch of the subject consultative process, the purpose of which we see is to arrive at a criterion on design of the competition process for the award of 3G licenses in Sri Lanka taking in to account of the views of interested parties. However as a mobile telecommunications service provider our view is that 3G is a natural evolution of mobile telephony further transforming mobile telephony to encompass mobile triple play (i.e. voice/data/video). Thus our comments on this paper are predominantly addressed with a view that this process should have been addressed exclusively for mobile service providers and not any other. The reason being it is only the 4 licensed mobile operators have been mandated to provide the Sri Lankan consumers with their mobile communication needs. (Please see the confidential annexure consisting of 12 pages)

Our comments on the issues raised therein published in the consultative paper is as follows:

1. Choice of IMT-2000 standard proposed for adoption of 3G Mobile Services in Sri Lanka

Mobitel strongly supports WCDMA, the reason being that it is the natural evolution path for the GSM operators that is being widely used world over as the 3G Standard. With W-CDMA as the 3G standard, consumers stand to enjoy the numerous benefits including backward compatibility of intra-system handover to 2G/2.5G.

Since ITU began exploring for standards to be adopted for next generation mobile services in early nineties, two standards (among several others) known as W-CDMA and cdma2000 (CDMA 1xEV-DO) have come to the fore as contenders. Both fall under the umbrella of IMT-2000. While proponents of each standard emphatically claim the superiority of their choice, it is being recognized that the best evolution path for GSM operators is W-CDMA. At the same time USA has adopted a free market approach where multiple technologies are permitted. In China a home grown standard known as TD-SCDMA has also appeared as a third alternative. This process obviously does not suit a market of the size of Sri Lanka. We are of the opinion that **TRCSL should make a conclusive determination that the standard of choice for Sri Lanka operators would be W-CDMA based on the most cost effective spectrum band**. Considering that 850 MHz band is also emerging as an additional band for W-CDMA along side 1885-2200 MHz, it is important that TRCSL adhere to IMT core band for Sri Lanka and therefore this possibility must be conclusively decided as part of this exercise. Case in point: Most recently, it is reported that Telstra has chosen to adopt a national 3G/W-CDMA network based on 850 MHz.

Mobitel plans to choose W-CDMA as the technical standard to be adopted for the intended 3G services whereby having intra-system handover enabled, so that 3G consumers will be able to use the extensive GSM network. It is pertinent to note that WCDMA is fast becoming the de-facto 3G standard with large majority of the world's largest operators having adopted W-CDMA.

2. Comments on the proposed Band Plan

Mobitel supports the band plan proposed by the TRCSL subject to further studies to cover entire relevant frequency range within W-CDMA in so that the TRCSL carefully consider the band plan that would be most cost effective.

Most countries appear to have adopted the division of 60 MHz into four 15 MHz portions of FDD and couple them with four 5MHz TDD slots giving 15MHz + 5MHz to each. We do not contest the rationale behind this manner of apportion. This is basically agreeable to Mobitel.

3. Proposed Evaluation Methodologies for the evaluation of suitable candidates for the provision of 3G mobile services in Sri Lanka and Spectrum Allocation Plan.

Mobitel vehemently opposes the two methodologies proposed by the TRCSL for the evaluation of suitable candidates for the provision of 3G mobile services in Sri Lanka and Spectrum Allocation Plan. Instead Mobitel strongly recommends that TRCSL should administratively allocate the available spectrum equally among the existing 4 licensed mobile operators and for them to pay only the standard annual radio frequency usage fees as per existing practice with no up front license fee charges.

TRCSL is proposing a combination of two methodologies as the eligibility criteria.

a) Merit based Evaluation popularly known as beauty contest

b) Spectrum Auctioning.

We are of the opinion that most appropriate criterion to be considered under the present circumstances is:

c) Traditional administrative allocation

A long list of merits and demerits can be produced on each of these methodologies. Much debate can be found on this issue within regulatory landscape. Administrations around the world seem have based their choice on specific characteristics of their respective markets. Sri Lanka should be extremely cautious on this issue and subject the specific circumstances in the prevailing environment to a meticulous analysis. All factors considered, it appears that neither Auction nor Beauty Contest would suit our circumstances. While Europe and USA have mainly opted for Auction South Korea and many other administrations have gone for Beauty Contest. Japan, well ahead of others carried out an administrative allocation. The auction process appears to be particularly inappropriate when considering innovative technologies and new markets, as experienced with the attribution of 3G licences in Europe where Auction was chosen as the primary vehicle of allocation and as a result the whole market was destabilized and launch of new services delayed. In comparison noticeably different developments took place in Japan and Korea. Although, in theory Auctions place the spectrum in the hands of those who value it most and hence may put t to the most economically efficient use, Auctions favour those who are economically dominant. Auctions may provide efficient results, provided that the auction principles have been well considered and designed to avoid negative side effects. They also largely avoid the possibility to discriminate against any party with more fairness and transparency. However this process inherently carries the possibility of eliminating a deserving and capable party. They invariably raise spectrum costs artificially and hence may totally destabilize a market.

Beauty contest seems to be better suited for a particular market provided that the amount of fees imposed to the selected candidates remains proportionate to spectrum management costs. Moreover, the comparison between candidates made on the basis of geographical coverage, technical or commercial criteria encourage them to improve their provision of service. However subjective element involved in the judgments would give rise to serious charges of bias.

A salient point in Merit based evaluation is it recognizes the contribution of existing 2G operators and confines the contenders within this group. Further more, a large extent of outdoor infrastructure needed is already in their possession. Mobitel particularly is placed on a very comfortable position as significant portion of the present base station infrastructure is based on 1800 MHz cells.

The proposed arrangement by TRCSL envisages accommodating totally new entrants into the Sri Lankan 3G market. In the first place this will immediately create a market set up with more than four mobile operators, four of them offering (or attempting to offer) 3G services. Mobitel is of the opinion that any further increase in the number of cellular mobile players would be a totally unrealistic situation. Our cellular mobile penetration level still remains below 15% and further fragmentation of the market will only drive up costs to the consumer.

Yet another aspect to be seriously considered is the future of existing four mobile operators. 3G unquestionably is the natural evolutionary path for 2G irrespective of the pace of the eventuality. In terms of technology 3G infrastructure could quite possibly supersede the existing 2G networks in about three to four years time frame. This inevitably will make it compulsory for all operators to migrate and the fate of the networks with no appropriate spectrum is obvious.

In the present consultative process there are four spectrum allotments under consideration. **We suggest equal assignment of these band slots among the existing four mobile networks**. This will eliminate the possibility of grabbing the spectrum by monitory prowess in an auction process or the bias and favour likely to be associated with a beauty contest. **An auction or beauty contest may be indispensable in the event the spectrum is in short supply which is not the case presently**.

4. Beauty Contest Evaluation Criteria

As our contention is neither Auction nor Beauty Contest should form the basis for 3G spectrum allocation we do not intend to submit a proposal on the criteria for Beauty Contest. However it must be emphasized that, in the event any such criteria be adopted, it should be limited to existing 4 mobile operators and it should accord overwhelming priority to present attributes and

track record of the mobile operators over hypothetical future investment plans.

Conclusion

Whilst appreciating the consultative process launched in November 2005, we wish to point out that unless otherwise the allocation of spectrum is done in accordance with what Mobitel has proposed in the foregoing, allocation of spectrum and issuances of license for 3G services in the 1st quarter of 2006 is most unrealistic.

We believe the position submitted by us is the most equitable and is adequately supported. Mobitel remains available to further support its position in regard to above as may be required. In the unfortunate event that the comments and recommendations made by Mobitel are rejected we would thank TRCSL to inform us the rational for such rejection.

Thanking you,

Yours faithfully,
Mobitel (Pvt) Ltd

Suren J. Amarasekera
Chief Executive Officer

Encl. Please note that the annexed document which consist of 12 pages is confidential and not meant for publication.