

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

15<sup>th</sup> June, 2012

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

A number of clarifications have been sought in response to the RFP for selection of auctioneer. The replies are as follows:

SI No	Query	Response/Clarification
1	<p><b>Eligibility/ evaluation criteria</b></p> <p>The minimum paid up capital required to become eligible for submission of offer against the said RFP has been fixed at Rs.2.50 Crore. Our Paid up Capital is Rs.2.20 Crore with Net worth of more than Rs.600 Crore as on 31.03.2012. The marginal shortfall of Rs.30 Lakh in our Paid up Capital is not going to affect the services of e-Auction that we shall deliver to DoT. We, therefore, earnestly request you to consider relaxing the eligibility norms with respect to Paid up Capital suitably so that we may submit our best offer.</p>	No change
2	<p>In case of consortium, will it be sufficient if the paid up capital of all the partners added up comes to Rs 2.50 Crore?</p>	<p>Para 1.3.6 of the RFP is revised as follows: <i>The bidder or the lead partner in case of a consortium, shall have a minimum paid up capital of Rs.2.5 crores or equivalent on the date of application.</i></p>
3	<p>Will the partner with higher paid up capital be the lead member of the consortium or the partner with higher Net Worth can also be the lead member?</p>	<p>Para 1.3.7 of the RFP is revised as follows: <i>The bidder or the lead partner in case of consortium and its substantial equity holders in the bidder company shall have a combined net worth of at least Rs.10 crores or equivalent. The substantial equity holders shall be those who have at least 10% or more equity stake in the total equity of the bidder company. The information should be duly authenticated under the law.</i></p>
4	<p>Ref Clause 1.3: Considering the said e-auction to be of high transaction value, it is</p>	No change.

	suggested that a qualifying criterion of conducting e-auction worth minimum Rs 4000 Crores per annum over 3 years should be included.		
5	Section No.: Eligibility Criteria for the company to act as agency to conduct e-Auction Clause 1.3.8 of page No.3 Description: The bidder having conducted simultaneous, controlled, ascending e-auctions of spectrum or telecom licenses in the last five(5) years may be given preference. Is the experience of conducting auctions counted for e-auction experience?	No.	
6	We request you not to restrict the experience of conduction e-auctions only for spectrum or telecom licenses, but also include e-auctions conducted for various immovable items.	No change. Also refer to parameter (D) of clause 1.9.2 of RFP.	
7	We are a proprietary firm (so would 1.3.5, 1.3.6 & 1.3.7 be applicable) to us and it would help us if there are any norms of eligibility criteria related to proprietary firm. Because we are reputed and well experience auctioneer in India. We are established in 1978 and since 2006 conducting e-auctions.	Yes. All of these conditions would apply.	
8	Is it necessary for a service provider to have its own IT infrastructure in terms of hardware and software? If so, who will certify the ownership of the infrastructure and the capabilities to deliver the desired services?	Please refer to parameters (F) and (G) of clause 1.9.2 of RFP.	
9	Ref Clause 1.5 & 1.9: While the said RFP correctly factors in the e-security aspect, it has not taken into account the Infrastructure capabilities (including but not limited to IT such as Data Centre, DR Site, Bandwidth, Redundancy, Help Desk, ISO 27001 Certification, etc) which is so very important for conduct of fault and failure free auctions in an electronic mode.	No change.	
10	Ref Clause 1.9.2: While apparently the RFP correctly gives weightage of 10% to value of e-auctions conducted in last 3 years, it is also mentioned 20% to value of auctions (Ref clause 1.9.2 A) conducted in last 3 years. Request you to kindly clarify	The clause is clear. Also refer to clarification at Sl. No. 6 above	

	the difference between auction & e-auction.		
11	Will experience of e-auction also qualify as experience of auction?	Yes.	
12	Ref Clause 1.9.2: (Total value of telecom related auctions in the last three years) During the 3G auction it may have been desirable to allocate 20 percent weightage to a service provider who had prior experience in the Telecom space. This is no longer necessary for the auction of 2G spectrum as the methodology for the new auction has now been frozen. No changes to the methodology may be required. Therefore there would be little reason to give weightage to prior telecom experience. The emphasis now should be on security in its entirety. Security of IT systems, credibility of the Service Provider, are all hisNo change in technical evaluation parameters. assets and records located on Indian soil and therefore are amenable and open to scrutiny and verification etc.	No change.	
13	Ref Clause 1.9.2 (Total value of telecom related auctions in the last three years) It may be noted that no Indian firm has the requisite experience in telecom spectrum auction. We believe a level playing field for Indian firms is desirable as well. Accordingly, we suggest that experience in conduct of e-auctions in diverse sectors such as Steel, Coal, Logistics, Auto, etc may be appended as an alternative.	No change	
14	Also, will experience in auction of telecom equipment and auction for corporate mobile connections be eligible under this clause.	Refer parameter D of Clause 1.9.2 of RFP.	
15	Request for changes in the 'Selection Criteria' specified in the RFP document keeping in view the following aspects: <ul style="list-style-type: none"> <li>i. Sensitivity of the process of spectrum auction, and the consequent need for increased emphasis on the security of the electronic auction process.</li> <li>ii. The need for having the latest e-tendering/ e-auction system, which offers improvements over</li> </ul>	No change.	

	<p>the process adopted for conducting the 3G spectrum auction two years ago.</p> <p>iii. Letter and spirit of the Government Guidelines on compliance to Quality Requirements of e-Procurement Systems dated 31<sup>st</sup> August 2011 issued by Department of Information Technology, Government of India(DIT), and related CVC guidelines for secure and transparent e-tendering/e-procurement.</p> <p>iv. Office Memorandum No.10/03/2012-PPC dated 30<sup>th</sup> March 2012 issued by Department of Expenditure, Ministry of Finance, asking all Ministries/Departments of the Central Government to commence e-procurement in respect of all procurements of estimated value of Rs.10 lakhs or more.</p>	
16	<p>It is requested to add the following criteria to the List given in Section 1.9.2 of the RFP document specifying the weightages for different parameters in the technical bid:</p> <p>i. The auctioneer who is selected for conducting the 2G spectrum auctions, should also be able to electronically facilitate in a streamlined and secure manner the pre-qualification round with electronically sealed-bids (to cover the prequalification/ technical stage) from the same portal, as per CVC guidelines and DOT's guidelines for e-tendering/e-procurement dated 31<sup>st</sup> August, 2011. This is important considering the latest OM No.10/03/2012-PPC dated 30<sup>th</sup> March 2012 issued by Department of Expenditure and for ensuring security and transparency of the pre-qualification process.</p> <p>ii. Physical location of the e-tendering/</p>	No change.

	<p>e-auction portal should be in India as required by Section 4.2 "Other Requirements for Quality and Security Evaluation" of the above mentioned DIT guidelines.</p> <p>iii. While the auction methodology will be decided by the selected agency in consultation with DoT, the auctioneer's system should have various types of auction methodologies available in it, so that this does not become a constraint later. Available methodologies should include – competitive Bidding system; Offer-Acceptance type auction system (as was used in case of 3G spectrum auction); a combination of these with facility for multi-round auction.</p> <p>iv. The e-tendering/e-auction system of the Auctioneer should be fully compliant with IT Act 2000 and its amendments. Digital signing of the bids should be with Digital Signatures issued by any CA duly licensed as per the IT Act.</p> <p>v. The system should be such that DoT's authorized officers, after undergoing requisite training from the Auctioneer (Typically not more than 4/5-days training), are themselves able to conduct the auction using the e-procurement/ e-auction portal without any interference from the service-provider's personnel. Service Provider/ Agency should only be a facilitator. This would be important from security and accountability point of view.</p>	
17	<p>Since the first government guideline on e-procurement was notified by DIT very recently on August 31, 2011 only and CVC issued instructions to follow these guidelines vide their Circular No.01/01/2012 on 12.1.2012 only, it is not justified to assign 50% weightage in technical bid evaluation to the auction/e-</p>	No change.

	<p>auction related experience in last three years without specifying any quality requirements with which the auctions/e-auctions were conducted during the three years. It is, therefore, requested that 10% weightage should be given to each of the five points in 'A' above, in lieu of criteria A, B, C of Section 1.9.2 of the RFP. The latter, in our opinion, are redundant keeping in view that criterion D takes care of the e-auction experience in telecom sector.</p>	
18	<p>It is requested that the ownership condition (Criterion-F of Section 1.9.2 of the RFP) should focus on ownership of the e-tendering/ e-auction portal, rather than the software. Ownership of the software by the e-procurement/ e-auction service provider can in fact be a security risk. In many high-technology areas, providing service is an independent and specialized industry/ service sector. Similar examples can be seen in aviation and telecom sectors where the corporation running the 'Airlines' is generally different from the corporation 'manufacturing the Aircraft', and similarly the corporation providing telecom services is generally different from the corporation manufacturing the telephone-exchanges and other equipment. Specifically for sensitive services like e-procurement/e-tendering/e-auction, this is a big advantage from Security perspective, as the service-provider would have access to only the compiled/ executable code of the software. It would therefore be difficult for the service provider to tamper with the code and change its functioning with clandestine objectives, if any.</p>	No change.
19	<p>In the e-Auction system, the Service Provider, need not be the 'Auctioneer'. In this case, an authorized team of officers from DoT can be the 'Auctioneer' conducting the auction independently without any intervention of the Service provider, who will be only a platform provider and facilitator.</p> <p>In view of the above, it is requested that Section 1.3.4 under "Eligibility Criteria for the Company to act as the agency for</p>	No change

	conducting e-auction" requiring that "The bidder shall not have any equity directly in any telecom or internet service provider in India. Similarly, any telecom or internet service provider in India shall not have any direct equity in the bidder" should not be applicable in case of service providers providing e-procurement/ e-auction services which enable DoT to conduct the e-tenders and e-auctions independently without intervention of the service provider.	
20	<p>Clause 1.9.2: The weightage for different parameters in the technical bid will be as follows:</p> <p>A. Total value of the auctions conducted in the last three (3) years 20%</p> <p>B. Total value of e-auctions conducted in the last three (3) years 10%</p> <p>C. Total number of e-auctions conducted in the last three (3) years 20%</p> <p>D. Total value of telecom related auctions in the last three years 20%</p> <p>What is meant by the value of auctions in A, C and D – is it the highest bid price/MHz or highest bid price for the total amount of spectrum auctioned? How is the score determined for each of the above?</p>	It is the total value realized. In respect of total value of the auctions conducted in last three years, total value of e-auction conducted in last three years, total number of e-auctions conducted in the last three years and total value of telecom related auctions in the last three years, the highest value among the eligible bidders is to be given the highest marks and the other eligible bidders will be awarded marks on pro-rata basis.
21	<p>Clause 1.9.2:</p> <p>E. E-security aspects in design and conduct of the auction 10%</p> <p>F. Ownership of domain and e-auction related software 10%</p> <p>G. Design of auction process and development of bid documents 10%</p> <p>How is the score determined for E, F and G?</p>	<p>In respect of e-security aspects in design and conduct of auction ownership of domain and e-auction related software and design of auction process and development of bid documents, the marks will be equally divided for all the parameters i.e. 5 marks for each of the following parameters:</p> <ul style="list-style-type: none"> <li>(i) e-security aspects in design of auction</li> <li>(ii) e-security aspects in conduct of auction</li> <li>(iii) ownership of domain</li> <li>(iv) ownership of e-auction related software</li> <li>(v) design of auction process</li> <li>(vi) development of bid documents.</li> </ul>
22	<p>Clause 1.9.3: Only those bidders scoring 70% and above on the criteria mentioned in para 1.9.2 above will be declared technically qualified and only their financial bids will be opened for further evaluation. How is the total score determined?</p>	Refer clarifications at 20 and 21 above

23	<p>Clause 1.9.9: In situations where lowest quoted rate (L1) of two or more technically qualified bidders are the same, a fresh round of financial bids from such bidders shall be called. The bidder with the lowest valid offer among these shall be selected.</p> <p>Conflicting clauses. For Eg: two bidders, A and B may have quoted the same lowest rate (hence L1) but A may have achieved higher weighted average score. Hence, as per clause 1.9.4, A would be the winner and should be awarded the contract. However, As per 1.9.9, fresh round of financial bids would be called. Please clarify.</p>	<p>Clause 1.9.9 is revised as follows:  <i>In situations where the highest combined score, determined as per clause 1.9.4, is the same for more than one bidder, a fresh round of financial bids from such bidders shall be called. The bidder with the lowest valid offer among these shall be selected.</i></p>
24	<p>In the Selection criteria (1.9): Para 1.9.2(B), DoT asked for Total value of e-auctions conducted in 3 years (but is there any minimum sales figure that is required).</p>	No.
25	<p>Para 1.9.2(E), Any standards or what are the parameters of E-security aspects in design and conduct of the auction? Since the E-security is broad but specific requirement would make it more clear.</p>	The clause is clear. Also please see our responses in the 'Regulatory Issues' Section below.
26	<p><b>Regulatory Issues</b></p> <p>Since financial transactions through e-auction need to be legally valid in India, compliance to Indian IT Act 2000 is mandatory. A clear mention and listing of essential requirements of the e-auction computer system (especially the security aspects, IT infrastructure aspects as also the aspect of compliance to various government rules on e-auction/ e-tender) will be appreciated.</p>	Indian IT Act 2000 (as amended) and relevant Guidelines are applicable.
27	<p>Is it necessary for the service provider to obtain certificate from recognized bodies certifying that the e-auction system of the service provider (hardware, software, leased line etc) are complying with CVC guidelines?</p>	Compliance with applicable provisions/ guidelines is required.
28	<p>Are the provisions of IT Act 2000 and IT (Amendment) Act 2008 applicable for the e-auction of 2G spectrum? If so, how are these provisions going to be applicable for foreign companies?</p>	Compliance with applicable provisions/ guidelines is required.



<b>Other Issues</b>		
29	Will the desired e-auction system have facility to accept digitally signed bids only?	Yes.
30	Will service tax be paid extra on the quoted value?	Taxes will be as applicable.
31	Reference to clause no 7.1. Please clarify whether the proposed system design (for which RFP has been floated) would be considered similar to "English Forward e-auction", with single seller and multiple buyer model.	The auction design is Simultaneous Multiple Round Ascending Auction (SMRA).
32	We would like to participate in the above subjected tender, we would like to confirm the validity of the Bank Guarantee as EMD for Rs.10.00 Lakhs and please kindly confirm that the below details has to be addressed in the BG. "To The President of India New Delhi"	Please refer to clause 1.10.1 and Annexure IV.
33	Clause 1.5.1: To conduct auction of Spectrum blocks in 1800MHz and 800MHz bands as determined by Department of Telecommunications (DOT), Government of India, Telecom Service area-wise (Annexure I), as per Guidelines placed at Annexure VII and as may be amended from time to time. Annexure VII contains format for pre-contract integrity pact. Kindly provide the guidelines for conduct of the auction.	Guidelines will be communicated shortly.
34	Clause 1.5.1: The functions of the selected agency shall be: (b) To advise on setting the rules for the bidding process Please elaborate on the same specifying the tasks involved. Would it include advice on auction benchmark price, number of spectrum blocks to be put on auction, minimum block size, payment mechanism, eligibility criterion, rollout obligations, incentives (in the form of reduction in regulatory charges etc), etc	The Guidelines of the Auction will cover all these aspects. For functions of the selected agency, please refer to clause 1.5 of the RFP.
35	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	One year from signing of contract.

	<p>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.</p> <p>What is the currency/ duration of the contract?</p>		
36	<p>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.</p>	Clause is clear.	
37	<p>We are interested to participate in this and hence would like to understand the following:</p> <ul style="list-style-type: none"> <li>-advertisement requirements for said E Auction</li> <li>-Place of auction- whether in Delhi or at respective locations</li> <li>-Opening rates for the auction – whether it will be RP or else wise</li> <li>-Existing Rates for the given areas</li> <li>- Auction volume per area –per Area what is to be auctioned</li> </ul> <p>Whether we have to conduct the auction for both 1800 and 800 MHz in all the 22 areas</p> <ul style="list-style-type: none"> <li>- Expected total MHz of spectrum to be auctioned</li> <li>- Only 1 service provider or more can be appointed</li> </ul>	Please refer to the clarifications at sl. nos. 33 and 34 above.	
38	<p>As proposed by TRAI and reported in the newspapers, the Reserve price for the proposed 2G Spectrum Auction would be very high. Therefore the expected price increase in the auction is unlikely to be as high as in case of 3G auction. It is therefore requested that the total drop dead fee limit of Rs 10 lakh be increased substantially at least to Rs 1 cr</p>	No change.	
39	<p>Please clarify whether the selected auctioneer in case of 2G spectrum would have option to recommend alternative methodologies or would be required to follow exactly the same methodology adopted by the Auctioneer in case of 3G</p>	The selected auctioneer will use the SMRA design and customize as per requirements.	

	auction	
40	<p>During the pre-bid meeting it was mentioned that the auction will be tentatively for 10 Mhz (1.25x8) for 1800 Mhz and 3.75 (1.25 x 3) for 800 Mhz.</p> <p>So should we say that there will be 11 successive auctions (8+3) in the 22 areas mentioned.</p> <p>Secondly pls inform the Advertisement requirements for carrying out these auctions.</p>	<p>There will be 2 successive auctions in 1800MHz and 800MHz bands.</p> <p>As regards second query please refer to Clause 1.5 of RFP.</p>
41.	<p>RFP clause 1.9.2G Design of auction process and development of bid documents-10% weightage. Our query was that how DoT would evaluate the 'auction process' to be adopted by the bidder and 'development of bid documents' skills of the bidder for e-auction of 2G spectrum at tender evaluation stage as these activities would actually take place after selection of the auctioneer.</p>	<p>This aspect needs to be brought out by the bidder in his presentation before the Evaluation Committee.</p>

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