

DoT move led to Rs 3,367-crore gain for Reliance Jio Infocomm, says CAG

By ET Bureau | 9 May, 2015, 03.43AM IST

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NEW DELHI: Reliance Jio Infocomm received "undue benefit" of Rs 3,367.29 crore because of the telecom department's decision to allow the Mukesh Ambani-owned telco to offer voice services over the broadband spectrum it won in the 2010 4G auctions, the national auditor has said.

The Comptroller and Auditor General (CAG) of India, in its report submitted to Parliament Friday, said the telecom department (DoT) allowed Jio to migrate from just an internet service provider (ISP) to a full services provider, who could offer voice services, under a new license — Unified Licence (UL) — at a cost far lower than the market price prevalent in August 2013.

"This migration, allowed at prices discovered in 2001, resulted in undue advantage of Rs 3,367.29 crore to Reliance Jio Infocomm (formerly Infotel)," the CAG said in the report. In a statement, a Jio spokesperson said no favour has ever been given to the company, and that it has always abided by prevailing laws. "We have acquired all our spectrum at market prices through open and transparent bidding processes, the conditions for which were same for all bidders. Further, the DoT rules for procuring the relevant licence for services using BWA spectrum too were the same for all successful bidders," the spokesperson said.

The guidelines for granting UL were issued by the telecom ministry on August 19, 2013, allowing an ISP with wireless broadband spectrum (BWA or 4G) to migrate to UL by paying up a fee equal to the difference between the entry fee for a telecom licence and entry fee of ISP permit.

"Reliance Jio Infocomm Ltd (RJIL) was the first to take benefit of this scheme and paid UL entry fee of Rs 15 crore and additional migration fee of Rs 1,658 crore in August 2013," the auditor added.

Reliance Jio was granted UL on October 21, 2013, and was allowed to provide voice services.

This decision to migrate "helped the ISP to circumvent the restrictions imposed by their licence at the time of auction, which were known to the ISP at the time of bidding for BWA spectrum," CAG added.

The auditor said that the entry fee of Rs 1,658.57 crore was discovered in 2001 and this price did not reflect the present value as on August 2013.

Draft Report was Harsher The auditor's findings in its final report are starkly different from its draft report, where it had alleged a loss of Rs 22,842 crore to the government due to the benefits allegedly given to Jio by DoT. The final report is also silent on strong allegations in the draft report that Infotel was acting as a front for [Reliance Industries](#) in the 2010 auctions, and that two were involved in "rigging" the auctions. CAG though in its final report said DoT should have taken note of a newspaper report (this was a story in the June 10, 2010 edition of the Economic Times) which had reported that Reliance Industries may take over Infotel post the 2010 auction.

"DoT did not take any immediate action or even afterwards when this was confirmed by subsequent developments (RIL buying Infotel)". DoT on its own, and Solicitor-General Ranjit Kumar in the [Supreme Court](#), had rejected CAG's views and defended DoT's actions, saying there was no collusion. The CAG draft report is also the basis of the a public interest litigation filed by NGO, Centre for Public Interest Litigation (CPIL), in the Supreme Court, which alleged wrongdoing by DoT in allowing Jio to offer voice telephony.

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CAG, in its report submitted to Parliament Friday, said the DoT allowed Jio to migrate from just an ISP to a full services provider.

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Spectrum Usage Charges

CAG on Friday also criticised DoT's decision not to prescribe the same spectrum usage charge (SUC) on BWA airwaves holders offering voice services as that paid by telecom operators who offer voice. Telcos in 2013 were paying 3-5% SUC depending on the spectrum owned, but BWA winners were asked to pay only 1%. "This relaxation would result in significant loss of revenue to the government over 20-year licence period, since the BWA spectrum had potential to provide voice services also in addition to data services," CAG said. Pulling up the telecom department, CAG also said the auction rules in 2010, suffered from deficiencies like absence of financial parameters in the eligibility criteria for bidders, absence of lock-in-provision, disparity in scope of usage of BWA spectrum, lack of intermediate milestones in roll out targets etc. "These deficiencies led to lack of efficient use of spectrum, hoarding of spectrum in view of absence of roll out of BWA services and non-realisation of the expected revenue share in the form of SUC even after more than four years of allocation," the auditor added. The auditor said Infotel had outbid most of the telecom operators, who could have provided voice services in addition to data, in the BWA spectrum auction held in 2010.

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