

DoT refutes CAG's charges of favouring Reliance Jio by allowing it to convert its ISP permit into a unified licence

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NEW DELHI: The telecom department (DoT) has reiterated that there was no wrongdoing in allowing Mukesh Ambani-owned [Reliance Jio](#) Infocomm to convert its internet service provider (ISP) permit into a unified licence (UL) or in the auction of the broadband wireless spectrum in 2010, as alleged in a draft report of the national auditor.

The Comptroller & Auditor General of India, in a draft report, alleged that the telecom department (DoT) failed to recognise what it described as "tell-tale signs of rigging" in the 2010 auctions in which an unknown company -Infotel Broadband Services Pvt Ltd (IBSPL) - won pan-India broadband spectrum by paying 5,000 times its [net worth](#) of Rs 2.5 crore.

The [CAG](#) highlighted that IBSPL, which submitted an earnest money deposit of Rs 252.50 crore and won a slot of 20 Mhz of pan-India BWA spectrum, had through the "covert and overt assistance of third party/private bank" bid for Rs 12,847.77 crore and then sold the company to a [Reliance Industries](#) unit on the day of completion of the auction.



DoT has reiterated that there was no wrongdoing in allowing Reliance Jio Infocomm to convert its ISP permit into a unified licence.

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DoT Says...	RIL Says...	CAG Says...
IBSPL complied with all documents; no restrictions on equity sale as process was through a competitive bidding No lock-in clause for promoter's equity, was factored in by bidders	Allegations of rigging in the 2010 auctions 'bizarre' Not aware of any draft or final CAG report	Telecom department failed to see tell-tale signs of rigging in the auctions IBSPL Reliance had a collusion during the 2010 auctions; a thorough probe is needed

It accused IBSPL and RIL, the parent of

Jio, of collusion, and asked for a thorough probe into the whole matter, cancellation of the broadband spectrum allotted post the 2010 auctions and "exemplary punishment" on the colluding firms.

The CAG also alleged that the [DoT](#) had favoured Jio by allowing it to convert its ISP permit — which allowed it to offer wireless broadband services (4G) — into a unified licence, needed for voice services, at Rs 1,658 crore, a price that telcos paid in 2001

when the sector was still in its infancy and a price that has been struck down by the Supreme Court in its 2012 order.

"Hence, Reliance Jio Infocomm appeared to have been accorded an undue advantage of Rs 22,848 crore".

A senior telecom ministry official told ET on Monday that the national auditor, while alleging a loss of Rs 22,848 crore, had failed to take into account the explanations previously given by the department.

As reported earlier by ET, DoT in its reply had explained that the rules for 3G and BWA spectrum before a 2010 auction didn't restrict BWA winners from providing voice telephony.

"As far as the auctions are concerned, IBSPL complied with all the required documents and unlike the previous allotment of telecom permits, this time the spectrum was being sold through competitive bidding, so there were no restrictions on sale of equity," the official said, explaining why the company was allowed to sell 95% of its stake to Reliance Jio.

Another telecom department official clarified that the fact that there was no lock-in clause for promoter's equity was also factored in by bidders "who finally drove the price so high".

In an emailed statement, [RIL](#) rejected allegations of rigging in the 2010 broadband auctions, calling them "bizarre".

"We outrightly reject any suggestion whereby spectrum was acquired in any manner other than through a transparent bidding process duly supervised by Government of India and our company being in compliance of every single stipulation and rule," it said.

It further added it is not aware of any "draft or final CAG report. So-called suggestions by individual experts and auditors in C&AG on a file are being passed off in sections of the media as the real thing. In our understanding, until a final report, everything else is WIP. Premature leak(s) giving 'WIP' the name of a 'draft report' is/are harmful to any company and its global reputation," it further added.

Mahendra Nahata, the head of IBSPL's parent company [Himachal Futuristic Company Ltd \(HFCL\)](#), said that no condition in the auction rules was violated and no confidential information was shared with anybody.

"These allegations are out rightly rejected," he said.

According to the draft audit report, the IBSPL promoter-director went on electronic media on June 11, 2010, to say the company had been in talks with RIL during the course of auction process.

The report says that this manner in which the company operated indicated its collusion and sharing of the confidential information with a third party in violation of auction rules.

The auction rules barred the auction bidders to collude or share any information between themselves, in order to avoid any cartelization.

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