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DoT wants key observations dropped in CAG draft reports  
Department is fighting CAG allegations that the government failed to stop telcos from forming a cartel in last two auctions

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The CAG in the past couple of months has sent a series of missives, alleging a slew of failures on the government's part had prevented the Centre from fruitfully utilizing 453.50 MHz of second-generation airwaves for the last one year. Photo: Pradeep Gaur/Mint

New Delhi: The department of telecommunications (DoT) wants India's national auditor to drop key observations it has made its draft reports, denying any wrongdoing on its part, as it attempts to fight allegations made by the Comptroller and Auditor General of India (CAG) that the government failed to stop telcos from forming a cartel that led to the failure of the last two radio spectrum auctions, depriving the exchequer of huge revenues.

The CAG in the past couple of months has sent a series of missives, alleging a slew of failures on the government's part had prevented the Centre from "fruitfully utilizing 453.50 MHz (megahertz) of second-generation airwaves for the last one year" and had pegged the value of the airwaves at around Rs.85,014 crore.

The state auditor has proposed to include the allegations as part of its report for the period ended March, titled Inefficient allocation and inept management of 2G spectrum and resultant loss to the government and denial of good quality to mobile subscribers.

Besides pointing out that large quantities of spectrum were lying unutilized across the country, the auditor had questioned the quality of service audits undertaken by the Telecom Regulatory Authority of India (Trai) and also questioned the subscriber numbers reported by telecom service providers.

The telecom department, in its response to the 27 May CAG letter, dismissed the allegations raised by the public auditor, in an internal note reviewed by Mint. The department has argued that it could not farm out additional airwaves to service providers under the earlier formula, where spectrum was given based on the customer numbers, as the sector regulator in 2008 had said India should continue with this method as an interim measure.

It has also pointed out that after the Supreme Court's February 2012 judgement, where 122 mobile permits were quashed, spectrum was also being allotted through an auction process.

The CAG had alleged that while existing telcos were clamouring for more spectrum, new operators who were awarded licences in 2008 hardly used the airwaves allotted to them and had barely rolled out operations even after four years of existence (before the Supreme Court quashed their permits in the February 2012 ruling).

"Since there were many existing telecom licensees in dire need of this scarce natural resource, it resulted in hoarding of finite natural resources of the nation. Had this spectrum been allotted to existing operators whose applications were pending for additional spectrum, the department would have earned thousands of crores of rupees as revenue towards spectrum usage charges whereas negligible revenue was received from the 50 licensees during the past five years," the national auditor had said in a 20 May missive.

Just prior to that, the CAG had sought an explanation from the telecom department on its alleged failure to act against telecom service providers for forming a cartel and killing off the two rounds of spectrum sale that were held in November 2012 and March 2013.

The auditor's logic was that telecom service companies, which were desperate for additional spectrum for years and claimed they needed this resource to meet the Trai-prescribed service quality standards, had failed to take part in the sale process.

"In the case of the recent auctions, the CAG is wrong. The telcos aren't saints, but because the sector is so divided with divergent agendas, to suggest that there was collusion does not make sense," said [Mahesh Uppal](#), director, [Com First India Pvt. Ltd.](#), a consultancy. "The auction was open to all, including foreign entities and operators not already part of the sector, and to suggest the auction was not fair is a little far-fetched."

"The operators took the risk of not participating as the price was too high and it would make future spectrum acquisition far more expensive," Uppal said. "The CAG is barking up the wrong tree and this report will only create further confusion for the sector and further delay allocation of much-needed spectrum to the operators that hasn't happened in two-three years."

The CAG has also raised doubts on both subscriber numbers reported by telcos as well as Trai's enforcement of the quality of standard norms prescribed by it. Blaming the government further, it said the telecom department could have forced operators to take part in the latest two rounds of radio spectrum auctions, if operators were made to compulsorily follow Trai-prescribed quality standards.

The CAG report, if published with the allegations, would be damning for the telecom department and the government after an earlier report submitted to Parliament in 2010 started what is now referred to as the 2G scam. The 2010 report showed a number of procedural lapses that the auditor found caused the treasury a notional loss of around Rs.1.76 trillion due to allocation of spectrum and permits to new telcos.

The earlier report led to the resignation of then communications minister [A. Raja](#) and an ongoing investigation by the Central Bureau of Investigation.