



**STANDING COMMITTEE ON  
COMMUNICATIONS  
(1996-97)**

**ELEVENTH LOK SABHA**

**MINISTRY OF COMMUNICATIONS  
(DEPARTMENT OF TELECOMMUNICATIONS)**

**Privatisation of Basic Telephone Services**

**FIFTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*December, 1996/Agrahayana, 1918 (Saka)*

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**(ELEVENTH LOK SABHA)**

**MINISTRY OF COMMUNICATIONS**  
**(DEPARTMENT OF TELECOMMUNICATIONS)**

**Privatisation of Basic Telephone Services**

*Presented to Lok Sabha on 19.12.1996.*

*Laid in Rajya Sabha on 19.12.1996*



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*December 18, 1996/Agrahayana 27, 1918 (Saka)*

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## CORRIGENDA

TO

THE FIFTH REPORT OF STANDING COMMITTEE ON  
COMMUNICATIONS (1996-97)

Page	Para	Line	For	Read
2	6	5	Rs. 7000 crores	Rs. 7500 crores
6	15	3	not	nor
7	21	4	to make	to make
9	29	12	did have	did not have
-do-	-do-	13	The	They
11	33	5	to increased	to be increased
12	35	2	stated it	stated that it
13	40	4	vocated	vacated
-do-	41	2	-do-	-do-
-do-	42	1	-do-	-do-
-do-	42	2	the bidders	the following bidders
15	47	1	delete , after	delete , after
-do-	48	1	from	telecom
16	51	4	bottom	bottom
-do-	52	4	it had did	it had bid
18	58	2	wiggle	wriggle
-do-	60	2	delete , after	delete , after
21	68	2	from	from
-do-	60	2	bottom	bottom
21	68	5	agreements	agreements
-do-	60	5	should	should
21	68	5	nor	no

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COMPOSITION OF THE STANDING COMMITTEE ON  
COMMUNICATIONS  
(1996-97)

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- |                       |   |                             |
|-----------------------|---|-----------------------------|
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| 4. Shri S. K. Sharma  | — | <i>Under Secretary</i>      |

## INTRODUCTION

1, the Chairman, Standing Committee on Communications (1996-97) having been authorised by the Committee to submit the Report on its behalf, present this Fifth Report, on the Privatisation of Basic Telephone Services relating to Ministry of Communications (Department of Telecommunications).

2. The Committee took oral evidence of the representatives of the Ministry of Communications (Department of Telecommunications) at their sittings held on 10.10.1996 and 11.10.1996.

3. The Committee also heard the views of Shri Devendra Kumar Sangal, former Secretary & Director General, Department of Telecommunications and Shri N. Vittal, Chairman, Public Enterprises Selection Board and former Secretary, Department of Telecommunications on 12.9.1996. The Committee also called the representatives of Telecom Industry and Services Association of India as non-official witnesses on 23.9.1996 to hear their views. The Committee also received valuable written information from these sources.

4. The Committee wishes to express its thanks to the representative of the Department of Telecommunications for appearing before the Committee and placing before it detailed written notes on the subject, that the Committee desire in connection with the examination of the subject.

5. The Committee also expresses its thanks to Shri Devendra Kumar Sangal, Shri N. Vittal and representatives of the Telecom. Industry and Services Association of India for appearing before the Committee and furnishing detailed information required by the Committee.

6. The Report was considered and adopted by the Committee at its sitting held on December 16, 1996.

NEW DELHI;  
December 19, 1996  
Agrahayana 28, 1918 (Saka)

SOMNATH CHATTERJEE,  
*Chairman,*  
*Standing Committee on Communications.*



# **PRIVATISATION OF BASIC TELEPHONE SERVICES**

## **REPORT**

### **I. Introductory**

The importance of having an effective and wide network of telecommunication services cannot be overemphasized. Use of telephone cannot be considered a luxury. For achieving global competitiveness as well as for the country's economic development and meeting the needs of the people, it is essential to have a very efficient telecommunication network. There has been tremendous development and progress of technology the world over and our telecommunication services should not be lagging behind, so far as quality as well as coverage are concerned.

2. There has been a rapid increase in the demand of telephone in our country with a rise of nearly 50 per cent from 7.03 millions on 1 April, 1992 to 10.5 millions on 1 April, 1994. It has been envisaged by the Department of Telecommunications (DOT) that the actual rate of growth during the remaining period of the VIIIth Plan will be still higher. In any event, the target should be that telephones would be available on demand and every village in this country would be provided with at least one telephone connection. To achieve this target during the VIIIth Plan period, as estimated by DOT, it would be necessary to provide for 10 million connections and 2,05,067 villages are to be provided with telephone facilities. It is obvious that massive investments would be needed to achieve these targets.

3. According to DOT, for providing 10 million telephone lines, an additional sum of Rs. 11,750 crores would be necessary at a unit cost of Rs.47,000 per line at 1993-94 prices and further Rs. 4,000 crores for providing rural telephone connections, apart from Rs. 7,500 crores provided by the Planning Commission for this sector under the VIIIth Plan. The Government of India decided that it was beyond their means to arrange for such additional resources, with their own efforts and that to achieve such targets it was necessary to involve the private sector and according to DOT, there was no alternative to the privatisation of basic telephone services, if substantial progress was to be achieved.

4. The new Economic policy of the Government of India adopted in 1991 envisages attracting foreign direct investment for growth of Indian economy and

the National Telecom Policy was announced by the Minister of Communications on 13 May, 1994 to be in furtherance of the new Economic Policy.

5. The National Telecom Policy was formulated by the Government of India with the following stated objectives :—

- (a) to provide telephone on demand by 1997;
- (b) to provide telephone in all villages by 1997;
- (c) to provide one PCO for every 500 persons in the urban areas by 1997;
- (d) to provide all internationally available value added services in India;
- (e) to provide telecom services at reasonable and affordable prices;
- (f) to provide telecom services of world standard;
- (g) to provide machinery for removal of consumer complaints, dispute resolutions and public interface; and
- (h) Protecting at the same time the defence and security interest of the country.

6. According to the calculations of the Government, as stated above, to meet the resources required for reaching the targets of the VIIIth Plan as also to extend the services, viz. to provide telephones on demand and provide every village with a telephone, a sum of Rs. 23,000 crores would be needed :—

- (a) Resources required to .....Rs. 7,000 crores  
meet the targets of  
VIIIth Plan
- (b) Extra resources required .....Rs. 11,750 crores  
to provide telephone on demand
- (c) For additional rural .....Rs. 4,000 crores  
connections

7. The National Telecom Policy thus, according to the evidence given before the Committee and as mentioned in the Policy Statement, envisaged that it was essential to seek private investment and association of private sector in a big way to bridge the resource gap. According to the Government, Private initiative was required to supplement the departmental efforts to raise additional resources, both through increased internal generation as also adoption of innovative means, like leasing, deferred payment, Built Operate & Transfer (BOT) and Build Lease & Transfer (BLT), etc.

8. It is not clear whether the decision for Privatisation of basic telephone services followed the announcement of National Telecom Policy and to give effect to it or the National Telecom Policy was formulated to give effect to the policy of privatisation already decided by the Government of India in its New Economic Policy. The Secretary, DOT, in course of evidence, stated that "the entire new economic policy which started was in that background. The background was two fold. One was the resource problem. The second was that the need of the economy was growing not only in terms of resources but the globalization programme which is there. For any one organization, whether Governmental or non-Governmental, it will not be easy to meet it. This was a part of the progressive liberalization which was ushered in."

9. The Committee is of the view that before any decision was taken to open a very important and sensitive sector like telecommunication to the private sector and to formulate the National Telecom Policy, it was essential to make wide-ranging and in-depth studies on several important and vital issues, viz. whether adequate resources could be raised in the public sector, whether privatisation was unavoidable so as to serve the people better and if so, how to bring it about, the effect of privatisation on the future functioning of DOT, relationship between DOT and the private sector, costs and expenses involved and last but not the least, the impact on the consumers.

10. The Committee is surprised to note that except demand projections for the VIIIth Five Year Plan, no study was undertaken nor any working paper was prepared to ascertain whether the target fixed in the National Telecom Policy was achievable through privatisation and if so, within what time-limit and what would be the terms and conditions and the area and the basis on which private sector would be permitted to operate and what would be the costs involved therein. It has been clarified by the DOT that initially there was no proposal for privatisation and it was thought of only by way of implementation of National Telecom Policy. It should be noted that when the VIIIth Plan was formulated or finalized, no proposal was mooted at all for privatisation of the basic telecom services or any part of the telecommunication network.

11. The Committee has taken evidence of some experts who had been connected with the Department and the Telecom Commission for a long time and from the evidence given by such experts, it appears that it would not have been

difficult for DOT and the Mahanagar Telephone Nigam Limited (MTNL) to raise adequate funds without involving private sector. The Committee ascertained from the DOT as to the efforts if any, that have been made in that connection and was informed, in course of the evidence, that there was no possibility of raising such resources by the Government or MTNL and thus no effort was made in that direction.

12. It appears that as on 31 March, 1995, the value of the assets of combined DOT and MTNL was Rs. 27,874 crores and the total funds employed amounted to Rs. 29,182 crores. These consisted of Rs. 2,644 crores (9.06%), accumulated budgetary support from General revenues, treated as dividend bearing capital; Rs. 20,221 crores (69.29%), accumulated reserves and surplus; and Rs. 6,317 crores (21.6%) net market borrowings through MTNL bonds. During the year 1994-95, DOT and MTNL between them invested Rs. 7,250 crores, out of which Rs. 6,849 crores was utilized for construction programme and Rs. 401 crores towards increase in working capital. Out of the said sums, Rs. 4,552 crores (62.78%) was contributed by the net surplus and Rs. 1,405 crores (19.38%) by depreciation. Rs. 1,271 crores (17.53%) only was borrowed from market through MTNL bonds. During this period, a rate of growth of 22.05% was achieved in main telephone connections and 13.7% reduction in waiting list. Thus the performance of DOT and MTNL was favourable with some of the well-known and well-managed private sector companies in different industries. In view of the above figures, which are available from records, the Committee, though desired to have has not been given any explanation why mobilization of additional resources was not even attempted through DOT and MTNL and why such mobilization was considered to be impracticable. It was stated that DOT, as a departmental undertaking, cannot raise funds except by way of budgetary support as all borrowings would be government borrowings.

13. In answer to a query of the Committee, the DOT, in a note, stated that the recommendations of Athreya Committee in respect of corporatization of DOT were not pursued in view of the financial implications involved and reservations expressed by telecom staff as also in the context of the National Telecom Policy, 1994 envisaging duopoly in basic telecom services to be provided by Government as well as by the private operators. The Athreya Committee report was submitted in March, 1991 and through its majority report, stressed on the need for separating the "policy and regulation" tier from the "operations" tier in any future organization of the DOT. The majority report was in favour of conversion of DOT field operations

(including MTNL) into a Holding company and five subsidiary Corporations made up for Zonal Telecom Operating Corporations and one Long Distance Connector Corporation. The Committee is of the view that the Athreya Committee report could have been considered by the Government in all its aspects by taking into consideration the views of different sectors, including the trade unions, particularly in the context of the proposal for giving up the monopoly right of the Government in the important telecom sector. In that event, the future growth and management of telecommunications in the country would have been left with wholly owned public sector undertakings. Without any such effort being made, the Government took a decision to open up the telecom sector for private participation which the Committee finds difficult to appreciate.

14. The Committee finds and the conclusion is inescapable that the policy of privatisation of the basic telecom services was initiated by DOT without undertaking any study about the feasibility and the effect of such a policy change. Without any exercise whatsoever as to what would be the programme of action and how to implement the policy of privatisation, about sourcing of funds and achieving targets within a specified time frame, the process of privatisation was started. It is a matter of grave concern that no perspective planning was undertaken except the simplistic exercise of demand assessment on the basis of waiting lists prevailing at the relevant point of time. What is most disquieting is that the future expansion and performance of DOT and MTNL was decided upon the assumption of the role and participation of the private sector in the expansion of the basic telecom services. No thought was given as to what would happen if there was no adequate response from the private sector and whether private sector itself would have the capacity to arrange for the resources that would be required and whether DOT would, along with the private sector, at all be able to meet the targets.

The Committee cannot but express its grave concern and disapproval that without consideration of the obvious and important facets of the policy changes, the DOT preferred to take an easy approach and attempted to introduce the private sector in the vital area of telecommunications, unreasonably assuming that all the problems of the expansion of the network as also resource gap would be resolved and met thereby.

15. The consequence is now for all to see. Since 1994, there has been no actual introduction of the private sector into the country's basic telecom services not are the DOT or MTNL themselves in a position to achieve fully the original targets laid down by the VIIIth Five Year Plan, far less any expansion of the network has been or can be achieved.

16. It is clear that a major policy decision having far-reaching consequences on national economy in general and telecommunication sector in particular, was taken by the Government without any consideration of the effect thereof or of its feasibility or method of implementation, far less obtaining the views of the Parliament in the matter. The Committee cannot find any acceptable reason for the unseemly hurry with which the Government acted.

17. The Committee is constrained to observe that the decision for privatisation was taken without any proper study or exercise of its ramifications and consequence including due implementation. In its obsessive urge to follow the New Economic Policy, the Ministry decided to privatize the telecom sector and then started on the exercise to formulate a procedure for privatisation, which should have been the other way round.

18. What is to be noted is that the New Telecom Policy was announced nearly three years after the announcement of the New Economic Policy, yet the Government took the far reaching decision without any due study or any consideration about its effect. In the process, the Committee feels, the national interest has not been served.

19. In this context, one may refer to the position even in developed countries. In his evidence before the Committee, an expert has stated as follows :

“While, the leaders of the industrialized nations have been constantly advising the developing countries to liberalize the basic telecom services sector, i.e. to privatize and induct competition, all the top 27 industrialized and fast developing nations studied, had either a Government or a regulated private monopoly till recently. Only 7 have initiated partial or comprehensive competition, in last few years, after they had already achieved very high telephone density and household penetration. High telephone densities have been possible only in monopoly regimes through internal cross subsidies between basic access and long distance usage. Competition makes such internal cross subsidies impractical. Conse-

quently the long distance call charges tend to come down and basic access charges go up. There is clear evidence of this happening in USA where competition became effective in long distance services in 1984, and in UK where it came into force in all segments of the service in 1985. And in both cases even though they had already achieved fairly high household penetration, its further growth slowed down."

20. The Committee is thus constrained to hold that introduction of competition by way of privatisation of the basic telecom services was premature, in as much as the Government did not apply its mind as to the consequences of the policy change and the feasibility thereof. Telecommunication is too vital a sector where such important decisions could be taken without any perspective planning or without fullest consideration of the pros and cons of the new policy. It is a matter of regret that no consideration was given as to the possibility of raising funds by DOT and MTNL by taking recourse to corporatisation or otherwise. What is most disquieting is that even if taking recourse to private enterprise and private financing was inevitable for the development of telecommunication network and input of modern technology requiring huge resources, the policy changes were made without full consideration of the manner of implementation and feasibility thereof. There was no consideration how the private sector could be allowed to operate without in any way affecting the functioning and viability of DOT and MTNL. Such matters could not be left to the mere operation of market forces, as it seems to have been the approach of the Ministry in the matter.

21. The New Economic Policy as well as the National Telecom Policy contemplate and provide for privatisation in different sectors including telecom sector, yet the approach of the DOT in the matter of implementation thereof not only shows lack of planning but also indecision, ad-hocism and total lack of professional approach. On the assumption that privatisation of basic telecom services was necessary, the Committee desired to know whether any planning /study had been made with regard to the implementation of the National Telecom Policy and its practicability in terms of financial and technological requirements of private service providers, the logistics etc. The Secretary, DOT in reply stated that private service providers are expected to make an investment of Rs. 14000 crores over a period of three years. Besides they would be required to pay licence fee of Rs. 65,775 Crores over a period of 15 years out of which Rs. 1884 crores would be in the first year. They are expected to supply 35.38 lakh direct exchange lines

**(DELs) over a period of 3 years. The reply indicates total dependence on the performance of the private sector, without any enforceable obligation on its part to achieve the targets within a given time-frame.**

22. The representatives of the private Telecom industry submitted to the Committee in evidence that the private service providers would be required to pay to Government Rs. 106,000 crores over a period of ten years for various levies including Rs. 40,000 towards access duty and Rs. 12,000 crores for service tax.

23. According to industry sources, it has been projected that private sector would invest around Rs. 500,000 crores in one way or the other in the basic and cellular services. With a view to raise resources of that magnitude from financial institutions and abroad, they have approached DOT to modify certain conditions like debt equity ratio and interconnect charges and assignability of licence. But according to the industry DOT has not taken any decision. Their contention was that unless, they are permitted to get funds from the financial institutions, it would be difficult for the industry to make such massive investment.

24. The Secretary, DOT replying to a query from the Committee in regard to viability of private service providers stated in evidence that DOT did not have any material on the basis of which it could test the potential viability of any project. He further contended that viability is to be worked out by the entrepreneurs alongwith their funding institutions or financial institutions. "I think to test the project viability is rather very difficult for us".

25. As per the Expert Study mentioned above (Annexure 1-A) the prospective licencees in Andhra Pradesh, Delhi, Gujarat and Tamil Nadu Circles are likely to end up carrying forward accumulated losses of Rs. 11,548 crores in Andhra Pradesh, Rs. 17,003 crores in Delhi, Rs.12,215 crores in Gujarat and Rs. 8,141 crores in Tamil Nadu at the end of fifteenth year of operation. Asked about DOT's views on the study, the Secretary of DOT submitted that Government was not aware of any such study and the basis of calculation of the proposed loss. It is stated to have been presumed that the bidders would have quoted the levy amount for each circle after making studies of the financial viability of their projects. It has also been clarified that DOT has not made any study in this regard since the financial viability of any project is the domain of the bidders.

26. The Committee further desired to know whether any exercise was done by the Ministry about the impact of licence fee that will have to be recovered from common man by private operators, the witness replied in the negative.



27. Asked in this context, the DOT in a note has stated that there is not likely to be any impact of licence fee on the DELs provided by the private service operators because they cannot charge more than the tariff fixed by DOT irrespective of the licence fee quoted by them.

28. However, as per the study referred to above (Annexure I-B), impact of licence fee per Direct Exchange Line (DEL) per annum without interest would be Rs. 2036 in Andhra Pradesh Circle, Rs. 10673 in Delhi Circle Rs. 1735 in Gujarat Circle and Rs. 4831 in Tamil Nadu Circle.

29. The Committee is surprised to note that prior to enunciation of new Telecom. Policy, 1994 which envisages private initiative to complement DOT's efforts to raise additional resources to achieve the Policy objectives, no planning/study with regard to the practicability in terms of financial and technological requirements of private sector was undertaken by the DOT. According to industry sources, they would invest around Rs. 500,000 crores one way or the other in the basic and cellular services. They would be required to pay Rs. 106,000 crores to Government in the form of various levies over a period of ten years of which Rs. 40,000 crores are stated to be towards access duty and Rs. 12,000 crores for service tax. No efforts were made in DOT to examine potential viability of private sector projects. The Secretary, DOT candidly admitted that they did have any material on the basis of which they could test the potential viability of any project. The contended that viability is to be worked out by the entrepreneurs alongwith their funding institutions or financial institutions. The Committee deplore such a simplistic approach which shows an attitude of avoiding responsibility and ignoring public interest. In fact they are of the view that before announcement of the Telecom. Policy, DOT should have undertaken an exercise with regard to the financial and technical requirements vis-a-vis the role assigned to them. It was the basic pre-requisite to avoid subsequent pitfalls, as a situation of stalemate is developing now.

30. In this context, the Committee is alarmed to note the findings of a study made by an expert who also happens to be a former Secretary, DOT. According to his analysis, the prospective licencees in Andhra Pradesh, Delhi, Gujarat and Tamil Nadu Circles are likely to end up with accumulated losses of Rs. 11,548 crores in Andhra Pradesh, Rs. 17,003 crores in Delhi, Rs. 12,215 crores in Gujarat and Rs. 8,181 crores in Tamil Nadu circles at the end of 15 years of operations. DOT is not aware of the study and the basis of calculation of proposed losses. No doubt, bidders would

have quoted the levy amount for each circle after making the studies of the financial viability of their projects. But the Committee find that there are differences of opinion on various issues between DOT and the bidders, which shows that many of the aspects were not considered before the tenders were invited.

31. Further, it appears that DOT has not made any analysis as to the impact on the consumers of licence fee to the tune of Rs. 65,775 crores to be charged from private operators in ten circles over a period of 15 years. As per DOT, there is not likely to be any impact of licence fee on the Direct Exchange Lines (DEL) provided by private service operators as they cannot charge more than the tariff fixed by DOT irrespective of the licence fee quoted by them. The Committee views it as too simplistic a statement. It is normal business to recover all the costs, direct and indirect, in addition to some profit to remain in business. Private operators cannot be expected to defray licence fee without any hope of recovery. However, as per the Expert Study, impact of licence fee per DEL without taking interest into consideration would be Rs.2036 in Andhra Pradesh, Rs. 1735 in Gujarat and Rs. 4831 in Tamil Nadu Circles per annum. The Committee recommended that a proper study should be made by DOT as otherwise a situation may develop where DOT will have to revise tariff upward considering the high costs of private operators which will include licence fee also. In such a situation impact of high licence fee will have to be borne by the subscribers.

## II. Cream Skimming

32. The Expert study referred to above has pointed out (Annexure I-C) that according to revenue contribution, there is a heavy skew in the distribution of Telephone subscribers e.g. in 8 large cities .032% subscribers contribute about 17.88% of revenue, another 2.41%, 28.46% of revenue and still another 2.79%, 11.62% of the revenue. Thus about 5.52% subscribers contribute about 58% of the revenue. On the other hand, over 52% of the subscribers contribute only a little over 10% of the revenue. Therefore, considering the compulsions of the prospective licences and the above mentioned skewed distribution of subscribers some form of cream skimming is inevitable. Asked whether the DOT has visualised the impact of such cream skimming on the earning capacity of DOT/ MTNL, the DOT in a note have stated that "at this stage the cream skimming is merely a conceptual visualisation. Besides, the bidders for Basic Telephone Services cannot look only to the high revenue yielding subscribers but are

required to give annual roll out plan before signing the Licence Agreement and in case of failure to follow the same they would have to pay the penalties as per the tender conditions.”

33. The study referred to above has pointed out that considering the compulsions of the prospective licencees and the skewed distribution of subscribers according to revenue contribution, some form of cream skimming is inevitable. In that event average DOT/MTNL revenue per DEL could come down substantially. Consequently minimum access charges may have to be increased by anything from 100 percent to 300 percent to make up for reduction. Asked in this context the DOT in a note have stated that the assumption of cream skimming and consequent manifold increase in the access charges might not be based on factual position.

34. The Committee is not at all impressed by the DOT's statement that at this stage cream skimming is merely a conceptual visualisation. It may be so in the immediate future when adequate capacities are not built by private service providers and also for the reason that presently there is a large unsatisfied demand. The Committee feels that the situation may not continue for long, once all the prospective service providers build up the projected capacities. In the conditions of competition, which would develop in telecom sector after a while, cream - skimming seems to be unavoidable. Given the situation of very heavy skew in the distribution of telephone subscribers on the basis of their revenue contribution where about 5.52 percent subscribers contribute about 58 percent of the telecom revenue (in 8 large cities), the Committee apprehends that DOT/MTNL will lose at least some of their high revenue earning subscribers to private operators which would adversely affect DOT/MTNL revenue per DEL and the gross revenue may also come down. Such a situation may lead to heavy increase in the minimum access charges. In the opinion of the Committee such apprehension cannot be brushed aside. The Committee desires that DOT should analyse all these factors in detail, to come to the right conclusion and devise timely steps to obviate the possibility of DOT/MTNL suffering in any way at a later stage.

### **III. Telephone density, per capita GDP and Pricing policies**

35. The Expert study (Annexure I-D) has also pointed out that high telephone densities have been possible only in monopoly regime through internal cross subsidies between basic access and long distance usage and that competition makes such internal cross subsidies impractical. Consequently the long distance

call charges tend to come down and basic access charges go up. Asked to clarify the position in this regard DOT has stated it may not be correct to assume that high telephone density and household penetration are possible in a monopoly regime through internal cross subsidisation.

36. Again, the Committee finds that DOT has not made any study with regard to the effect of competition in Telecom sector on telephone density and its further consequences. According to knowledgeable sources, high telephone density has been possible only in monopoly regime through internal cross subsidies between basic access and long distance usage. Consequently, long distance call charges tend to come down while basic access charges may go up. In the opinion of the Committee serious thought should be given to the conclusions drawn by experts so that timely corrective action can be initiated.

#### IV. Tendering Procedure

37. The Committee has been informed that pursuant to the National Telecom Policy and the Guidelines issued for its implementation a tender was floated by the Department of Telecom, in January, 1995 for all the 21 Telecom Circles (service areas) in the country including MTNL, Delhi. The 21 Circles in the country were categorised as 'A', 'B' and 'C' circles based on the potential for growth and revenue earning. Last date for submission of bids for the tender was 23 June, 1995. Commercial and Technical parts of the tender were opened on due date *i.e.* 23 June 1995. 16 companies had submitted 81 bids for various circles. No bid was received for J & K Circles.

38. The Committee has been further informed that a Tender Evaluation Committee (TEC) constituted on 1 June, 1995 evaluated the tenders based on the various eligibility conditions of general, commercial and technical nature as given in the Tender Document. The TEC found all the 16 bidders technically and commercially eligible. This recommendation of the TEC was accepted by the Government and the financial bids of all the sixteen (16) bidders were opened on 31 August, 1995. The financial bids were to be evaluated on the basis of four parameters *viz.* Net Present Value (NPV) of the levy, Direct Exchange Lines (DEL), Village Public Telephones (VPT) and use of indigenous equipment in the Network which were announced before the opening of the tenders on 23 June, 1995. Based on these parameters the TEC evaluated the bids of all the 16 bidders and observed that out of the 20 Circles for which bids were received, only in 10 circles the quoted rate was higher than the expected rate calculated by the TEC.

Therefore, the TEC recommended rejection of bids for the remaining 10 Circles. As a result one Company (HFCL Bezeq Telecom Ltd.) emerged as the highest bidder in nine(9) out of the twenty(20) circles for which bids were received.

39. It appears that the Government decided to put a restriction (capping) on the number of Circles which could be granted to a single bidder in category 'A' & 'B' Circles. Capping was recommended by the Tender Evaluation Committee in its Report submitted on 8 November, 1995 and this recommendation of TEC alongwith others was accepted by the Government on 11 November, 1995. The tender terms provided for introduction of capping but the right to do so was the prerogative of the Government.

#### V. Capping of bids

40. Due to imposition of capping, HFCL Bezeq Telecom Ltd. which was the highest bidder in nine circles, was given the choice of selecting a maximum of three category 'A' & 'B' Circles. The Company selected Delhi, Haryana and U.P. (West). The other five Circles vocated by HFCL on account of the capping were offered to the rest of the bidders in these Circles to match the highest package offered by this Company. However, none of the other bidders accepted this package.

41. The highest bids for the following five circles quoted in the first round and subsequently vocated by the highest bidder were as under:—

<b>Circle</b>	<b>Highest Bid</b>
Andhra Pradesh	Rs. 15365 Crs.
Gujarat	Rs. 15085 Crs.
Kerala	Rs. 9555 Crs.
Punjab	Rs. 9065 Crs.
West Bengal	Rs. 9065 Crs.
<b>Total =</b>	
	<u>Rs. 58135 Crs.</u>

42. Out of the 5 Circles vocated by the highest bidder on account of capping, the following three circles have been allocated to the bidders at the quoted levy mentioned against each in the second round of bidding. Though in the first round of bidding, no NPV was announced, in the second round of bidding government fixed a minimum reserve NPV.

<b>Name of the Circle</b>	<b>Name of the Bidder</b>	<b>Quoted Levy Rs. Crs.</b>	<b>Levy quoted by the second highest bidder in the first round Rs. Crs.</b>
A.P.	Tata Tele services	4200	3528
Gujarat	Reliance Telecom	3396.33	3150
Punjab	Essar Commission	4593.40	3675

43. The second round of bidding was restricted to those bidders only (except the HI) who had participated in the original tender and whose bids were found technically and commercially compliant on the consideration that inviting fresh bids through open tender for both technical and commercial as well as financial bids would take a very long time and that the main purpose of allowing the private sector to participate in the operation of basic services which was to meet the objectives of National Telecom Policy would be defeated.

44. The Committee pointed out that when DOT was aware that other bidders rates were very low vis-a-vis the rates quoted by the highest bidder then what was the use of asking them to bid again for the circles vacated by HI bidder. In reply, it has been stated that since the highest bidder in 9 Circles was restricted to only 3 Circles in category 'A' and 'B' as a result of capping TEC thought it fit, in the interest of equity to offer the Circles thus vacated to the other bidders who had submitted their bids for these Circles if they were interested in matching the highest package offered by the bidder who vacated the Circles.

45. It has also been informed that the total network of HFCL Bezeq Consortium was Rs. 4622.05 Crores and as per the eligibility condition this Company was eligible to get the nine Circles in which it was the highest bidder.

46. On the question of not awarding all the nine circles to only one bidder namely M/S HFCL Bezeq, it was stated that telecom being a very sensitive sector from the point of view of national security, private foreign investment should be more evenly distributed and the pre-dominance of any one foreign country (which would result from one bidder with a specific foreign partner getting a majority of circles) should be avoided.

47. Asked how the presence of a dominant partner would affect Telecom, services when DOT was already in the field and foreign participation would be less than 50 percent and why security aspect was not considered earlier when decision to introduce privatisation was taken DOT submitted that the National Telecom. Policy envisaged that the defence and security interests of the country would be protected. As regards the dominant partner, it was stated that the TEC's observation was with reference to avoidance of allowing a single bidder to operate in 9 out of 21 Circles thus creating a situation where a single private operator would have been operating telecom, services in almost half of the country.

48. The Committee desired to know as to why the choice of circles was left to the bidder and why it was not asked to take those 3 circles where its bids were the highest, as was done in the case of Cellular phones where BPL-LTS West alliance was forced to take 3 circles where it had did the highest. In reply, it has been stated that in the case of Basic Telephone Services tender the choice was given to the bidder who was the highest in nine circles because it was considered fair, just and reasonable to give him an option to choose the circles since he is affected by the capping which was imposed in Public interest. The practice of capping and giving of choice thereafter to bidder company has been adopted in the Cellular Mobile Telephone Service tender also.

49. The Committee has been informed that the highest bids in respect of Rajasthan, Karnataka, Andaman and Nicobar Islands, Assam, Bihar, North-East, Madhya Pradesh Himachal Pradesh, Tamil Nadu and U.P. (E) were recommended for rejection by TEC on the ground that the quoted levy of the highest bidder in these Circles was less than the expected/reasonable levy calculated by the TEC.

50. The Committee is concerned to note that the private company which was the highest bidder in nine Telecom circles was asked to select any three circles of its choice because it was considered fair and just to give it an option to choose the circles since it is stated to be affected by capping. The Committee is not at all impressed by this line of reasoning. In fact, the impression persists that capping in this case was used to bail out the highest bidder from paying the astronomical sum of Rs. 58135 crores it had bid. Capping bids at the choice of the bidders would have been a fair exercise if it had been announced earlier. Announcing it afterwards was not in accordance with the usual commercial principles of evaluating tenders. The reasoning of private monopoly does not hold good in the light of the fact that in the foreseeable future DOT will continue to be the dominant player in Telecom sector all over the country.

51. The Committee is of the view that though tender documents contemplated introduction of capping yet the choice was left to the Government to take recourse to the same. Leaving the choice of circles to a bidder was an inexplicable opportunity given to the bidder to wiggle out of its obligations. Further, even if a particular concern was to be restricted to three circles only, it was for the Government to decide the circles. The plea of showing "fairness" to the concerned bidder is not convincing as bids were given by the concerned bidder voluntarily obviously indicating its capacity to meet its obligations in respect of all the circles. Leaving the choice to the bidder concerned, has resulted in a net loss to the exchequer to the tune of Rs. 40,000 crores as the subsequent bids for Andhra Pradesh, Gujarat and Punjab circles have been considerably lower to the extent of nearly 1/3 of the previous bids. The Committee is of the view that this matter should be enquired into in depth as the reason put forward by DOT is not convincing at all.

52. The Committee finds that HFCL Bezek Telecom had made offers which were much higher than that of other bidders and manifold of the Reserve Net Present Value (NPV) arrived at by TEC on the basis of sound business principles. The wide difference in quoted bids of Rs. 58135 crores by the highest bidder for Andhra Pradesh, Gujarat, Kerala, Punjab and West Bengal which were subsequently vacated by it *vis-a-vis* NPV of these circles gives the impression that DOT failed to visualise the emerging scenario for Telecom, development in the leading circles and thus failed to make proper calculations.

53. Further, the Committee is of the view that it was not proper on the part of DOT to announce the NPV after the first round of bidding when it was known to it that capping was to be applied and that the sum quoted by second highest bidder were very low *vis-a-vis*, the quotation of the first bidder. Restricting the second bid to original participants (except the H1 bidder) of first round knowing well the rates quoted by them is highly questionable. The subsequent development amply prove this. The plea of fresh open tendering process consuming long time and delays defeating the objectives of National Telecom Policy is not at all convincing as till today none of the Companies has complied with the stipulations nor any licence has been granted so far. The Committee feels that entire licencing process requires to be probed in depth by an authority independent of DOT.

54. The Committee notes with concern that there are no bids for the circles of Andaman and Nicobar Islands, Assam, Bihar, North-east, Madhya Pradesh, Himachal Pradesh, Tamil Nadu, Rajasthan, Karnataka and



U.P. (E) etc. The Committee has been informed that highest bids in these circles were less than that calculated by TEC and as such the bids were rejected.

55. In view of the fact that no private bid has been accepted for these circles as the quoted bids were below the expectations of DOT, the Committee desires that DOT should develop its infrastructure expeditiously so that these areas do not suffer and rising demands in these areas are well taken care of.

#### VI. Use of indigenous equipment

56. The Committee finds that financial bids were evaluated on the basis of four parameters and weightage of 03% was assigned to the value of indigenously manufactured equipment to be used in the Network as a proportion to the total value of the equipment used in the first three years. Details of various parameters and their weightages stipulated in the tender documents are as under :—

Parameter	Weightage
(a) Net Present Value of the the levy quoted discounted at 16% for 15 year	72%
(b) Direct Exchange Lines (DELs) to be commissioned	10%
(c) Village Public Telephones as percentage of total DELs	15%
(d) Value of Indigenously manufactured equipment to be used in the Network as a proportion of the total value of the equipment used in the 1st three years	03%

57. The Committee is disturbed to note that very low weightage of only 3 per cent has been assigned in the evaluation of tenders to the value of indigenously manufactured equipment which will be used in the network by the private operators. The Committee is not impressed with the reply of the DOT that it is following a policy of encouraging use of indigenous equipment, in the light of the fact that very low weightage has been assigned to it in the tendering process. The Committee, therefore, recommends that DOT should take more effective steps to encourage use of indigenous equipment by the prospective private service providers apart from by DOT

itself. A policy of incentive/disincentive may also be considered in this regard. Imports should be allowed only in areas where the necessary technology is not available indigenously or the price difference is very high.

58. Although the tenders were floated by DOT as early as in January, 1995 and clarifications were given by the DOT and although the technical bids were opened on 23 June, 1995 and the financial bids were opened on 31 August, 1995, no agreement has yet been entered into in respect of any circle nor the required deposits have been made by the bidders. It appears that even in December 1996 no date can be indicated with any amount of certainty for the completion of the agreements and the implementation thereof.

59. The Committee is concerned to note that there are numerous areas where there are substantial differences between the prospective service providers and the DOT and that hardly any effective steps have been taken to narrow down and ultimately to eliminate the differences. The result has been that there is a stalemate in the proper functioning and expansion of basic telecom network in the country and the Committee is of the definite opinion that either the process should be completed within a given time-frame or the Government should give serious consideration to the possibility at all of implementing the National Telecom Policy as at present envisaged. The future of the telecom service and the network in the country cannot be left dependent on introduction of private sector at an uncertain date and with still more uncertain conditions. In any event, the Committee is of the opinion that DOT/MTNL should prepare its own plans for expansion and improvement of the network, so that ultimately the interest of the country does not suffer.

60. In their submission to the Committee, the representatives of the prospective service providers stated that there should be a meeting at the appropriate level to discuss the funding issue. According to them, licence is a prime asset for providing telecom services and therefore, licence should be made assignable. For them, the network to be made operational, licences should be made assignable. For them, if this condition is met to a certain extent, then their proposals would be acceptable to the financial institutions. They further submitted that the tender documents, prescribed debt equity ratio is 2:1 but it should be either 3:1 or 4:1 as in the power sector. Another plea made by them was that tenure of licence in the case of basic telephone services should be twenty years as they were not expected to show any profit before the ninth year. They also submitted that licence fee capitalisation may also be allowed.

61. The Committee has been informed that there was a stalemate in the issue of inter-connectivity when seven companies were asked to sign interconnect agreement on 12 September, 1996. None of the seven companies have agreed to do it. It has been stated that DOT did not discuss this matter and insisted that private operators should pay inter-connectivity charges. Further, the industry sources pointed out that they have been asked to pay extra charges if they provide any other service than the basic service which would be extra financial burden on them.

62. The Committee enquired about the steps taken by the DOT to deal with the issues raised by the prospective service providers. In reply, the Secretary DOT stated that Member (Production) and Member (Finance) have had a series of discussions with each one of them as regards their clarifications, the assistance they sought and the help which DOT as a Government Department could provide. The Committee was informed that DOT was in seisin of the matter but still the matters were undecided even after nearly two years from the opening of the tenders.

63. The Committee is deeply concerned to note that there are serious differences in the perceptions of DOT and the prospective service providers on the issues of assignability of licences debt-equity ratio, raising of funds, tenure of licence, capitalisation of licence fee, inter-connection charges etc. Because of these differences, licences have not been granted to any one of them so far. It is highly disturbing. The Committee feels that precious time has been lost without any satisfactory solution so far. For this reason, the Committee feels that the objectives of the National Telecom. Policy to provide access and availability of telephones on demand and covering all villages with telephones by the revised target date of 2000 AD will remain a distant dream. The Committee therefore, urges the DOT to look into the matter objectively and find an amicable solution without further loss of time.

## **VII Village Public Telephones (VPTs)**

64. One of the major consideration for privatisation of basic telephone services as mentioned in the National Telecom Policy has been to provide telephones in all the villages in the country by 1997. The DOT expected private sector to supplement its efforts in this regard and one of the intended stipulations in the grant of licences will be that ten per cent of the capacity created by private operators will be in the rural areas. The DOT in a note has furnished details of the uncovered villages in the ten Telecom circles which are expected to be awarded to private service providers and also the number of villages to

be covered by them each year during the first 3 years of their operations. The details are as under :—

Name of the Circle	Total No. of Uncovered Villages	VPTs to be Provided in the			Total
		First Year	Second Year	Third Year	
Andhra Pradesh	9635	9635	NIL	NIL	9635
Bihar	69959	100	1100	20800	22000
Delhi	NIL	NIL	NIL	NIL	NIL
Gujarat	8635	8635	NIL	NIL	8635
Haryana	1931	1931	NIL	NIL	1931
Maharashtra	25760	4000	21760	NIL	25760
Orissa	41018	3300	13200	23000	39500
Punjab	5442	5442	NIL	NIL	5442
Tamil Nadu	3904	650	3254	NIL	3904
U.P.-West	38783	5000	20000	13783	38783
Total	205067	38693	59314	57583	155590

65. The Committee observe that in case of Bihar out of 69959 uncovered villages only 22000 villages would be covered with the facility of telephones at the end of third year of the operation of the private operator. Similarly, in case of Orissa, out of 41018 villages, 39500 villages would be covered.

66. The Committee enquired how the DOT proposed to achieve the objective of providing telephones in all the villages by 1997 in such circumstances. In reply it has been submitted that in addition to the VPTs to be provided by the private operators, DOT is also to provide VPTs in each circle as per the plan which is reviewed every year. The revised targets for Bihar and Orissa circles for providing Telephone in villages is stated to be as under :—

Circle	No. of the uncovered Villages as on 1.4.97	DOT Target			Private Operators Target		
		1997-98	1998-99	1999-2000	1997-98	1998-99	1999-2000
Bihar	60665	15000	15000	8665	100	1100	20800
Orissa	29239	3000	4000	5239	3300	13200	500

Year 2000 AD has been indicated as the revised target for covering all the villages in the country with telephones.

67. During evidence the Committee specifically asked about the time by which DOT expect private operators to start providing basic telephone services, the Secretary DOT replied that it should start between 12 months and 18 months after the license agreement would be signed. However, as has been noted DOT has stated that no licence has been granted to any bidder as yet.

68. The Committee is gravely concerned to note that one of the basic objective of National Telecom. Policy, 1994 of providing telephones to all villages by 1997 is not going to be achieved. The target had now slipped to the year 2000 AD and that too only if the private service providers are in place well in time. However nor private operator has yet been granted licence. There are serious differences about their demands with regard to equity norms/funding, interconnectivity charges and assignability of licence etc. It has been submitted to the Committee by representatives of Prospective service providers that unless these issues are resolved, they will not be in a position to establish capacities. The Committee fear that if such stalemate persists there would be huge shortfall in the achievement of target of Village Public Telephones even in the year 2000 AD as the gestation period for private operators is stated to be 12 to 18 months. As per the DOT perceptions, as on 1.4.1997 the number of uncovered villages with telephone facilities would be 60665 in case of Bihar and 29239 in case of Orissa and it would be possible to cover them by the year 2000 AD only if there is private participation. The Committee expects the DOT to devise steps to ensure that the revised targets are kept in observance.

69. The Committee also desires that irrespective of the entry of Private Sector which appears uncertain the DOT should gear itself to meet the target on its own. They should evolve the suitable perspective plan to cope with the increased progressive demand for telephone connections.

NEW DELHI;  
December 18, 1996  
*Agrahayana, 27, 1918 (Saka)*

SOMNATH CHATTERJEE  
Chairman,  
Standing Committee on  
Communications.

TABLE SUMMARISING THE RESULTS OF THE STUDY ALONGWITH THE MAIN ASSUMPTIONS MADE, FOR PURPOSE OF COMPARISON THE AVERAGE PER DEL REVENUE IN 1993-94 IS ALSO INDICATED.

Item	Units	Andhra Circle	Delhi Circle	Gujarat Circle	Tamil Nadu Circle
<b>1. At the beginning of operations (1996)</b>					
a) Total no. DEL's in operation		797,326	1,167,010	915,563	1,013,794
b) Telephone Density		1.08	10.15	2.02	1.70
c) Licensees market share		0	0	0	0
<b>2. At the end of fifth year of operation (2001)</b>					
a) Total no. of DEL's in operation		2,044,195	2,350,053	2,317,988	2,703,429
b) Telephone Density		2.49	14.87	4.66	4.23
c) Licensees market share		27	19	25	25
d) Licensee's Share of DEL's		555,907	453,826	573,920	673,903
e) Equity	Rs. Cr.	3,247	3,517	3,281	4,168
f) Debt	Rs. Cr.	3,247	3,517	3,281	4,168
g) Net Shareholder's funds	Rs. Cr.	561	(454)	615	405
h) Cum.Opg. P& L carried	Rs. Cr.	(2,061)	(1,791)	(2,156)	(2,078)
i) Total P&L. Carried including License fee & Bank Charges	Rs. Cr.	(2,686)	(3,971)	(2,666)	(3,763)
<b>3. At the end of tenth year of operation (2006)</b>					
a) Total no. of DEL's in operation		4,481,791	3,697,854	4,591,783	5,424,626
b) Telephone Density		4.90	21.34	8.40	7.91
c) Licensee's market share		40	34	37	38
d) Licensee's Share of DEL's		1,774,705	1,253,622	1,710,818	2,034,501
e) Equity	Rs. Cr.	7,188	7,533	6,987	8,125
f) Debt	Rs. Cr.	7,188	7,533	7,106	8,125
g) Net Shareholder's funds	Rs. Cr.	(1,054)	(3,421)	(1,222)	(1,243)
h) Cum.Opg. P& L carried	Rs. Cr.	(6,392)	(4,439)	(6,704)	(4,338)
i) Total P&L. Carried including License fee & Bank Charges	Rs. Cr.	(8,242)	(10,954)	(8,209)	(9,368)
<b>4. At the end of fifteenth year of operation (2011)</b>					
a) Total no. of DEL's in operation		9,826,093	6,516,882	9,096,026	10,946,815
b) Telephone Density		9.64	30.65	15.14	14.89
c) Licensee's market share		45	41	44	44
d) Licensee's Share of DEL's		4,446,857	2,663,136	3,962,939	4,795,596
e) Equity	Rs. Cr.	10,362	10,816	9,979	9,000
f) Debt	Rs. Cr.	10,362	10,816	9,979	8,700
g) Net Shareholder's funds	Rs. Cr.	(1,186)	(6,187)	(2,236)	859
h) Cum.Opg. P& L carried	Rs. Cr.	(7,273)	(1,843)	(8,744)	3,554
i) Total P&L. Carried including License fee & Bank Charges	Rs. Cr.	(11,548)	(17,003)	(12,215)	(8,141)

**ANNEXURE-IB**

(Vide para 28)

**TABLE SUMMARISING THE PROJECTED FINANCIAL RESULTS OF  
THE LICENCEES IN THE FOUR CIRCLES AT THE END OF FIFTH,  
TENTH AND FIFTEENTH YEAR OF OPERATION.**

		Andhra	Delhi	Gujarat	Tamilnadu
Total Demand (dem.) on 31.3.96	Actual	932,380	1,190,610	1,110,148	1,355,623
Average Compound Rate of Growth p.a.	Assumed	17%	12%	14.65%	12% Madras 16% Rest
Total Project Dem. on 31.3.2011	Projected	9,826,093	6,516,882	9,096,026	10,946,815
Telephone Density on 31.3.2011	Projected %	9.64	30.65	15.41	14.89
DELs in Operation by Licensee (31.3.11)	40% of new dem.	4,446,857	2,663,136	3,962,947	4,795,596
Licensee's Market Share (31.3.11)	%	45.26%	40.87%	43.57%	43.81%
Total License Fee	Rs. Cr.	4,200	15,085	3,396	11.268
Ave. Licnese Fee per DEL p.a. w/o interest	Rs.	2,036	10,673	1,735	4,831
Ave. License Fee per DEL. p.a. with Interest @ 16% p.a.	Rs.	2,319	14,261	2,387	7,512
Ave. Annual Revenue per DEL in 1993-94	Rs.	10,579	13,812	9,674	18.471(M) 9.923(R)

M = Madras ; R = Rest or Tamilnadu

THE FOLLOWING TABLE INDICATES THE LIKELY REDUCTION IN THE AVERAGE DOT & MTNL REVENUE PER DEL BY THE PROSPECTIVE LICENSEES WEANING DIFFERENT PERCENTAGE OF TOP REVENUE GENERATING SUBSCRIBERS, AND THE EXTENT TO WHICH THE ANNUAL RENTS MAY HAVE TO BE INCREASED TO MAKE UP THE

	The Extent of Top Revenue Subs Weaned by Private licensees	Average Annual Revenue Per Subscriber (Rs.)	Extent of Reduction (Rs.)	% increase in Rent reqd to make good the reduction
1	0%	13,516	None	None
2.	100% of top 0.32%	11,741	1,775	81%
3.	50% of top 2.73%	11,318	2,198	100%
4.	100% of top 2.73%	9,066	4,450	202%
5.	50% of top 5.52%	10,879	2,638	120%
6.	100% of top 5.52%	8,087	5,429	246%
7.	50% of top 13.54%	10,598	2,918	133%
8.	100% of top 13.54%	7,223	6,293	285%



TABLE  
PER CAPITA GDP-1993, AND TELEPHONE DEVELOPMENT IN  
SELECTED COUNTRIES-1994.

Country	Populat'n (M)	GDP Per Capita US\$	Telephone Density Per 100 persons	Residential Telephones As % of H' holds
(a)	(b)	(c)	(e)	(f)
1 Zaire	42.06	202	0.09	NA
2 Bangladesh	117.8	210	0.23	NA
3 India	913.6	257	1.07	NA
4 Pakistan	126.3	353	1.62	NA
5 LIG (59)	3,147.0	415	1.48	4.60
6 China	1,190.2	611	2.29	5.10
7 Indonesia	189.9	763	1.33	2.70
8 Philippines	66.2	817	1.68	3.50
9 LMIG (68)	110.6	1,529	8.40	25.80
10 Algeria	27.3	1,742	4.11	22.00
11 Ukraine	51.5	1,827	15.00	32.80
12 Russia	148.4	2,218	16.24	34.50
13 S. Africa	40.6	2,751	9.48	45.90
14 Turkey	60.8	2,929	20.10	75.30
15 Malaysia	19.5	3,392	14.69	52.00
16 Brazil	159.10	3,613	7.38	21.00
17 Mexico	91.9	3,969	9.25	25.30
18 World	5,605.0	4,390	11.57	38.70
19 UMIG (39)	508.4	4,515	14.14	42.30
20 Korea	44.5	7,509	39.70	103.97
21 Argentina	34.2	7,634	14.14	39.20
22 Australia	17.8	16,033	49.60	98.70
23 UK	58.1	16,251	48.87	96.90
24 Canada	29.1	19,834	57.54	108.24
25 Germany	81.1	21,198	48.31	89.10
26 France	57.7	21,719	54.74	NA
27 HIG(39)	838.9	22,621	51.92	102.20
28 USA	260.5	24,580	60.17	112.74
29 Japan	124.8	33,757	47.98	97.20

NA = Not Available

Category	Grouping of countries by Income Per Capita Income Range (US\$)	No. of Countries in Group
Low Income (LIG)	695 or less	59
Lower Middle (LMIG)	696 to 2,765	68
Upper Middle (UMIL)	2786 to 8,625	39
High (HIG)	8,626 or more	39
	Total	205

SOURCE WORLD TELECOMMUNICATION DEVELOPMENT REPORT ITU—1995

## **ANNEXURE I**

### **MINUTES OF THE ELEVENTH SITTING OF THE STANDING COMMITTEE ON COMMUNICATIONS (1996-97)**

The Committee sat on Thursday, the 12th September, 1996 from 1630 to 1715 hrs. in Committee Room 'E', Parliament House Annexe, New Delhi.

#### **PRESENT**

Shri Somnath Chatterjee — *Chairman*

#### **MEMBERS**

##### *Lok Sabha*

2. Shri K.L. Sharma
3. Prof. Rasa Singh Rawat
4. Smt. Sheela Gautam
5. Shri Harpal Singh Sathi
6. Shri Girdhar Gamango
7. Shri T. Veera Bhadram
8. Shrimati Geeta Mukherjee
9. Shri Budh Sen Patel
10. Shri Keshab Mahanta
11. Shri Churchill Alemao

##### *Rajya Sabha*

12. Shrimati Veena Verma
13. Shri Govindram Miri
14. Shri O. Rajagopal
15. Shri Satish Pradhan

#### **SECRETARIAT**

1. Shri Ram Autar Ram — *Deputy Secretary*
2. Shri S.K. Sharma — *Under Secretary*

## WITNESS

Shri N. Vittal — Chairman, Public Enterprises Selection Board and Former Secretary, DOT.

At the outset, the Chairman welcomed Shri N. Vittal, former Secretary, Department of Telecommunications as a non-official witness.

2. The Committee heard the views of Shri Vittal on the proposed TRAI, Bill, 1996 as well as on "Privatisation of Basic Telephone Services" and sought certain clarifications on the points raised by the Members.

3. The Chairman thanked Shri Vittal for appearing before the Committee and for expressing his free and frank views on the subjects and desired that if the witness has to add anything further to what he has stated in meeting, the same may be furnished in writing to the Committee.

4. The verbatim record of the sitting has been kept.

*The Committee then adjourned.*

## **ANNEXURE II**

### **MINUTES OF THE TWELFTH SITTING OF THE STANDING COMMITTEE ON COMMUNICATIONS (1996-97)**

The Committee sat on Monday, the 23rd September, 1996 from 1500 to 1750 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

#### **PRESENT**

**Shri Somnath Chatterjee — Chairman**

#### **MEMBERS**

##### *Lok Sabha*

2. Shri K.L. Sharma
3. Shri Harin Pathak
4. Shri Girdhar Gamango
5. Shri Somjibhai Damor
6. Shri Mrutyunjaya Nayak
7. Shri Thomas Hansda
8. Shri M.P. Veerendra Kumar
9. Shri R. Devadas
10. Shrimati Geeta Mukherjee
11. Shri Joachim Baxla

##### *Rajya Sabha*

12. Shrimati Veena Verma
13. Shri S.S. Ahluwalia
14. Shri Shatrughan Prasad Sinha
15. Shri Narendra Pradhan
16. Dr. Ramendra Kumar Yadav Ravi
17. Shri Md. Salim
18. Shri Ish Dutt Yadav
19. Shri Satish Pradhan

## SECRETARIAT

1. Shri J.P. Ratnesh	—	<i>Joint Secretary</i>
2. Shri Ram Autar Ram	—	<i>Deputy Secretary</i>
3. Shri S.K. Sharma	—	<i>Under Secretary</i>

## (NON - OFFICIAL) WITNESS

## REPRESENTATIVES OF TELECOM INDUSTRY AND SERVICES ASSOCIATION

- \*1. Shri P.K. Sandell, leader of the Delegation, President, Telecom Industry & Service Association;
- \*2. Shri Sandeep
- \*3. Shri D.K. Ghosh
- \*4. Shri A.K. Chaudhri

At the outset, the Chairman apprised the Members that the Committee has been divided into two Study Groups *i.e.* Study Group I and Study Group II to undertake an on-the-spot study tour to various places during the month of October, 1996 keeping in view the subjects selected this year for examination.

The Chairman then informed the Members about the constitution of three Sub-Committees to consider the subjects selected by the Committee for examination during 1996-97 pertaining to the Department of Post, Department of Telecommunications and Ministry of Information & Broadcasting.

The Committee then took up clause-by-clause consideration of Telecom Regulatory Authority of India Bill, 1996 and considered it upto Clause II and deferred further consideration to next sitting to be held on 10 October, 1996.

After the tea break, the Chairman welcomed the representatives of Telecom Industry and Services Association of India (Non-official witnesses). The Committee heard their views on the subject of "Privatisation of Basic Telephone Services." They also gave certain clarifications on the points raised by Members.

The Chairman then thanked the representatives of Telecom Industry and Services Association of India for appearing before the Committee and expressing free and frank views on the subject.

A verbatim record of discussions held with the aforesaid association has been kept.

*The Committee then adjourned.*

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\* Were not present at the time of discussion for tour.

### **ANNEXURE III**

#### **MINUTES OF THE FOURTEENTH SITTING OF THE STANDING COMMITTEE ON COMMUNICATIONS (1996-97)**

The Committee sat on Thursday, the 10th October, 1996 from 1500 to 1715 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

#### **PRESENT**

Shri Somnath Chatterjee — *Chairman*

#### **MEMBERS**

##### *Lok Sabha*

2. Shri K.L. Sharma
3. Prof. Rasa Singh Rawat
4. Smt. Bhavna Chikhalia
5. Shri Girdhar Gamango
6. Shri Somjibhai Damor
7. Shri R. Devadas
8. Shrimati Geeta Mukherjee
9. Shri Joachim Baxla

##### *Rajya Sabha*

10. Shrimati Veena Verma
11. Shri Iqbal Singh
12. Shri Govindram Miri
13. Shri Satish Pradhan

#### **SECRETARIAT**

1. Shri Ram Autar Ram — *Deputy Secretary*
2. Shri S.K. Sharma — *Under Secretary*

REPRESENTATIVES OF THE MINISTRY OF COMMUNICATIONS  
(DEPARTMENT OF TELECOMMUNICATIONS)

1. Shri M.P. Modi, Chairman (Telecom Commission)
2. Shri P. Khan, Member (Production)
3. Shri G.C. Iyer, Member (Finance)

2. At the outset, the Chairman welcomed the Secretary and other officials of the Ministry of Communications (Department of Telecommunications).

3. The Committee sought certain clarifications on the issues relating to the subject of "Privatisation of Basic Telephone Services" as well as other related points.

4. A verbatim record of the sitting has been kept.

5. The Committee was adjourned to meet again on 11th October, 1996.

## **ANNEXURE IV**

### **MINUTES OF THE FIFTEENTH SITTING OF THE STANDING COMMITTEE ON COMMUNICATIONS (1996-97)**

The Committee sat on Friday, the 11th October, 1996 from 1100 hrs. to 1245 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

#### **PRESENT**

**Shri Somnath Chatterjee — Chairman**

#### **MEMBERS**

##### ***Lok Sabha***

2. **Shri K.L. Sharma**
3. **Prof. Rasa Singh Rawat**
4. **Shri Mahesh Kanodia**
5. **Shri Harpal Singh Sathi**
6. **Shri Girdhar Gamango**
7. **Shri Somjibhai Damor**
8. **Shri R. Devadas**
9. **Shrimati Geeta Mukherjee**
10. **Shri Joachim Baxla**

##### ***Rajya Sabha***

11. **Shrimati Veena Verma**
12. **Shri Iqbal Singh**
13. **Shri S.S. Ahluwalia**
14. **Shri Ahmed Patel**
15. **Shri Govindram Miri**
16. **Shri Satish Pradhan**

#### **SECRETARIAT**

- |                              |          |                                |
|------------------------------|----------|--------------------------------|
| 1. <b>Shri Ram Autar Ram</b> | <b>—</b> | <b><i>Deputy Secretary</i></b> |
| 2. <b>Shri S.K. Sharma</b>   | <b>—</b> | <b><i>Under Secretary</i></b>  |



REPRESENTATIVES OF THE MINISTRY OF COMMUNICATIONS  
(DEPARTMENT OF TELECOMMUNICATIONS)

1. Shri M.P. Modi, Chairman (Telecom Commission)
2. Shri P. Khan, Member (Production)
3. Shri G. C. Iyer, Member (Finance)

2. The Committee sought clarifications from the officials of Ministry of Communications (Department of Telecommunications) on the issues relating to the subject of "Privatisation of Basic Telephone Services" which could not be taken up the previous day.

3. A verbatim record of the sitting has been kept.

4. The Committee thanked the officials of the Ministry for furnishing the valuable information to the Committee and for expressing free and frank views on various points raised by the Members.

*The Committee then adjourned.*

**MINUTES OF THE NINETEENTH SITTING OF THE  
STANDING COMMITTEE ON COMMUNICATIONS (1996-97)**

The Committee sat on Monday, the 16th December, 1996 from 1500 to 1530 hrs. in Committee Room 'E', Parliament House Annexe, New Delhi.

**PRESENT**

Shri Somnath Chatterjee — *Chairman*

**MEMBERS**

*Lok Sabha*

2. Shri K.L. Sharma
3. Dr. S.N. Jatiya
4. Prof Rasa Singh Rawat
5. Srimati Sheela Gautam
6. Shri Th. Choaba Singh
7. Shri Mrutyunjaya Nayak
8. Shri R. Devadas
9. Shri V.P. Shanmuga Sundram
10. Shrimati Geeta Mukherjee

*Rajya Sabha*

11. Shrimati Veena Verma
12. Shri Ahmed Patel
13. Shrimati Jayanti Natarajan
14. Shri Govindram Miri
15. Shri Satish Pradhan

**SECRETARIAT**

- |                       |   |                         |
|-----------------------|---|-------------------------|
| 1. Shri J.P. Ratnesh  | — | <i>Joint Secretary</i>  |
| 2. Shri Ram Autar Ram | — | <i>Deputy Secretary</i> |
| 3. Shri S.K. Sharma   | — | <i>Under Secretary</i>  |

The Committee considered the draft Report on Privatisation of Basic Telephone Services and adopted the same without any modifications.

The Committee authorised the Chairman to present the same to the House.

*The Committee then adjourned.*