17

STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2004-2005)

FOURTEENTH LOK SABHA

MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY
(DEPARTMENT OF TELECOMMUNICATIONS)

DEMANDS FOR GRANTS
(2005-2006)

SEVENTEENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

April, 2005/*Vaisakha,* 1927 *(Saka)*

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Presented to Lok Sabha on 21.4.2005
Laid in Rajya Sabha on 21.4.2005

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NEW DELHI

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CONTENTS

COMPOSITION OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2004-2005)

Shri M.M. Pallam Raju—*Chairman*

MEMBERS

Lok Sabha

2. Shri Nikhil Chaudhary
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14. Shri Sohan Potai
15. Shri Ashok Kumar Rawat
16. Shri Chander Shekhar Sahu
17. Shri Vishnu Sai
18. Shri Tathagat Satpathy
19. Shri K.V. Thangka Balu
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Rajya Sabha

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23. Shri Ashwani Kumar
24. Dr. Akhilesh Das
25. Shri Balbir K. Punj

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*Nominated *w.e.f.* 20.8.2004.

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27. Smt. Sarla Maheshwari
28. Shri N.R. Govindrajar
29. Shri K. Rama Mohana Rao
30. Shri Motiur Rahman

#31. Shri Ekanath K. Thakur

SECRETARIAT

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2. Shri S.K. Sharma	—	*Additional Secretary*
3. Shri P. Sreedharan	—	*Joint Secretary*
4. Shri Raj Shekhar Sharma	—	*Director*
5. Shri K.L. Arora	—	*Under Secretary*
6. Shri D.R. Mohanty	—	*Executive Officer*

#Nominated *w.e.f.* 24.3.2005.

INTRODUCTION

I, the Chairman, Standing Committee on Information Technology (2004-2005) having been authorised by the Committee to submit the Report on their behalf, present this Seventeenth Report on 'Demands for Grants (2005-06) relating to the Ministry of Communications and Information Technology (Department of Telecommunications).

2. The Standing Committee on Information Technology (2004-2005) was constituted on 5 August, 2004. One of the functions of the Standing Committee, as laid down in Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, is to consider Demands for Grants of the concerned Ministry/Department and make a Report on the same to the House.

3. The Committee considered the Demands for Grants pertaining to the Ministry of Communications and Information Technology (Department of Telecommunications) for the current year i.e. 2005-2006, which were laid on the Table of the House on 17 March, 2005. The Committee took evidence of the representatives of the Department of Telecommunications on 29 March, 2005.

4. The Report was considered and adopted by the Committee at their sitting held on 12 April, 2005.

5. The Committee wish to express their thanks to the Officers of the Department of Telecommunications for appearing before them as well as for furnishing the information that the Committee desired in connection with the examination of the subject.

6. For facility of reference and convenience, the obsevations and recommendations of the Committee have been printed in bold letters in Part-II of the Report.

NEW DELHI;
20 *April*, 2005
30 *Chaitra*, 1927 *(Saka)*

M.M. PALLAM RAJU,
Chairman,
Standing Committee on
Information Technology.

REPORT

PART I

Introductory

In pursuance of the objectives of the New Telecom Policy announced in April, 1999 and as a fall out of subsequent developments, the Government of India transferred the business of providing telecom services in the country from the Department of Telecom Services (DTS) and the Department of Telecom Operations (DTO) to Bharat Sanchar Nigam Limited (BSNL) with effect from 1st October, 2000. Consequent upon the creation of BSNL, the revenue stream of DTS network stands transferred to BSNL. The working expenses and Capital Outlay on telecom network, except for C-DOT and Telecom Engineering Centre (TEC), are also transferred to BSNL. The Department of Telecommunications (DoT) remains responsible for policy, licencing and Coordination including enforcement of wireless regulatory measures and monitoring the wireless transmission.

2. The Budget Estimate (BE) for 2005-2006 of the Department of Telecommunications (DoT) includes the requirements of the Secretariat of the Ministry, Directorate of DoT, Offices of the Controller of Communication Accounts (CCA), VTM units, Wireless Planning and Coordination Wing (WPC), Wireless Monitoring Organisation (WMO), International Co-operation, Telecom Regulatory Authority of India (TRAI), Telecom Disputes Settlement and Appellate Tribunal (TDSAT), Centre for Development of Telematics (C-DOT), Office of the Administrator, Universal Service Fund (USF) and Telecom Engineering Centre (TEC) as well as compensation to Public Sector Undertakings (PSUs) and pension payments.

3. The Plan and Non-Plan provision made in the Revenue and the Capital Sections of the DoT Budget for the year 2005-2006 is as under:—

DEMAND NO. 15

(Rs. in crores)

Revenue Section

	Plan	Non-Plan	Total
Voted	156.34	3800.04	3956.38
Charged	—-	—-	—-

Capital Section

	Plan	Non-Plan	Total
Voted	2.27	200.00	202.27
Charged	—-	—-	—-
Grand Total (Revenue plus Capital)			4158.65

4. The approved Plan Outlay of the Telecom Sector in 2004-2005 including its PSUs was Rs.11660.00 crore with Rs.175.00 crore of Budgetary Support. In the 2004-2005 Revised Estimates, the Plan Outlay was Rs.9689.31 crore including Rs.295.31 crore as Budgetary Support.

5. The approved Plan Outlay for 2005-2006 is Rs.11801.01 crore, including Budgetary Support of Rs.168.61 crore.

6. The break-up of the approved plan outlay for the Telecom Sector for the year 2005-2006 is as under:—

Plan Outlay for 2005-2006 (BE)

Break-up of approved outlay for the Telecom Sector

(Rupees in crore)

Sl.No.	Unit	IR	Bonds	BS	Plan Outlay Total
1	2	3	4	5	6
1.	BSNL *	8051.00	1645.00	0.00	9696.00
2.	MTNL	1887.00	0.00	0.00	1887.00
3.	WMO $	0.00	0.00	18.77	18.77
4.	WPC **	0.00	0.00	62.71	62.71
5.	TRAI	0.00	0.00	3.00	3.00
6.	TDSAT	0.00	0.00	1.00	1.00
7.	TEC	0.00	0.00	1.13	1.13

1	2	3	4	5	6
8.	C-DOT	49.40	0.00	82.00	131.40
9.	ITI ***	0.00	0.00	0.00	0.00
	TOTAL	9987.40	1645.00	168.61	11801.01

North-East component of Rs.528.00 crore includes in BSNL's budget.

A minimum of 3% of the budgetary support is to be made available for ITI component in the outlay of various schemes/organisations.

* Does not include estimated provision of Rs.5385.00 crore *i.e.* Rs.3685.00 crore towards reimbursement of License Fee and Spectrum charges and Rs.1700.00 crore as support through USO fund.

** Includes EAP component of Rs.36.00 crore.

*** A sum of Rs.100.00 crore is being provided under Non-Plan for meeting capital expenditure for 2005-2006 (BE).

$ Includes Rs.2.27 crore for Ministry of C&IT and Rs.10.00 crore for Ministry of Urban Development for civil works.

There is no Centrally sponsored Scheme. All the schemes are Central Sector Schemes.

A. POLICY HIGHLIGHTS

(i) Unified Access Service Licence (UASL) and Unified Licence (UL)

7. The Committee were informed that an addendum to NTP-99 was made to introduce the Unified Access (Basic and Cellular) Services Licence (UASL) and Unified Licence (UL) for Telecommunications Services. Accordingly, UASL was introduced on 11 November, 2003. But no final decision has been taken with regard to the introduction of Unified Licence for telecommunications services, although recommendations for such licence has already been received from TRAI.

8. The Committee desired to know about the basic difference between UASL and UL, the rationale behind introduction of UASL and its distinct features in increasing teledensity, particularly rural telephony. In reply, it was stated that the basic difference between UASL and UL was that under UL, Long Distance Services such as National Long Distance, International Long Distance and Internet Services were envisaged apart from the access services *i.e.* basic and cellular.

9. The UASL envisages wireline and wireless services under the same licence. The wireless services include fully mobile, limited mobile

and fixed wireless services. This helps the licensee to optimise resource utilisation for faster expansion of the network. The customer will also be benefited in the long run with the convergent billing system.

10. It was further stated that given the central aim of NTP-99 to ensure rapid expansion of teledensity and due to unprecedented expansion of telecom services, steep reductions in tariffs as well as costs of telecom services, advancement of technology etc. the Government, in the public interest in general and consumer interest in particular and for the proper conduct of telegraphs and telecommunications services, decided to go for UASL and UL.

11. The Committee were informed that 3 CMTS licensees covering 16 CMTs licences and 27 Basic Service Licensees migrated to UASL. Referring to a clause in UASL which absolved the basic service licensees, who have migrated to UASL, of mandatory coverage of rural areas, the Committee enquired about the reasons for incorporation of such a clause and the way it would help the rural cause. The Department in reply stated that the various telecom service providers were contributing 5 per cent of Adjusted Gross Revenue (AGR) towards USO fund since 1999. The USO fund was established w.e.f. 1st April, 2002 and the amount accrued prior to that has been credited to the Consolidated Fund of India. As the entry fee for UASL has been made at par with that of the fourth Cellular Licensee, the roll out obligation also has to be at par with that of fourth Cellular Licence. The Cellular Licence does not envisage roll out obligations in terms of coverage of rural areas. However, the support from USO will be utilised for expansion of rural network.

12. In reply to a specific query, the Committee were informed that as the urban areas were getting saturated, most of the Service Providers were likely to shift their focus to rural areas. It was further stated that there was already an increased level of participation from Private Service Operators in the tenders floated by USO Fund for Rural Telephony.

13. When asked to elaborate, the Department has stated that the Tender for installation of Rural Community Phones (RCPs) in villages with a population of more than 2000 covering approximately 46,000 villages had been finalised and agreements already signed with two successful bidders *i.e.* BSNL and Reliance Infocom Limited (RIL) on 30 September, 2004.

14. The Committee then asked about the share of BSNL *vis-à-vis* Reliance Infocom in the provision of RCPs and whether both the Companies have already commenced the job. In reply, it was stated that out of 46,253 villages, agreement had been signed with BSNL for 24,794 RCPs and with Reliance Infocom Limited for 21,459 RCPs. But claims from only BSNL have been received for 1,917 RCPs installed during the quarter ending 31 December, 2004. The roll out is to be completed over a period of three years with 20 per cent in the first year and 40 per cent in each of the two subsequent years.

15. It was further stated that as per 1991 census there were about 76,000 villages with population more than 2000. In villages where a second public phone in addition to a VPT already exists, such villages are not to be covered with RCP. However, it is proposed to cover all villages with population of more than 2000 by upgradation of any public telephone. This will be taken up based on the experience of the pilot project which intends to cover only 2000 villages in the first instance.

(ii) Universal Service Obligation (USO)

16. In pursuance of the Guidelines provided under NTP-99 the Universal Service Support Policy (USSP) came into effect from 1st April, 2002 and Universal Service Obligation Fund (USOF) was also established on 1st April, 2002. The Indian Telegraph (Amendment) Act, 2003 giving statutory status to the USOF was passed by both the Houses of Parliament in December, 2003.

17. The Committee were informed that the resources for meeting the Universal Service Obligation would be raised through a Universal Access Levy (UAL) which would be a percentage of the revenue earned by the operators under various licences, to be decided in consultation with TRAI.

18. The implementation of USO obligation for rural/remote areas would be undertaken by all mixed service providers who shall be reimbursed from the fund. Other service providers would also be encouraged to participate in USO provision subject to technical feasibility and would be reimbursed from the funds.

19. As per the Indian Telegraph (Amendment) Act, 2003, the credits to the Universal Service Obligation Fund are by way of Parliamentary

approval from out of the receipts towards Universal Service Obligation paid by the telecom service providers and also by way of any Grants and Loan which the Central Government may consider necessary. The Fund shall be utilized exclusively for meeting the Universal Service Obligation.

20. Asked to state the contributions from the Service Providers towards USF since 1 April, 2002, the Committee were informed that Rs.1653.61 crore in 2002-2003 and Rs.2143.22 crore in 2003-2004 were collected from the Service Providers. The collection of fund for the financial year 2004-2005 was anticipated at Rs.2899.50 crore. Funds likely to be collected as USL over the Tenth Plan period were estimated at Rs.13,000 crore.

21. As regards the budgetary provisions made towards USO since its inception, the Department stated that the entire budgetary provision of Rs.300 crore allocated as Supplementary grant for the year 2002-03 was disbursed for Operation and Maintenance of VPTs installed in the Census 1991 revenue villages. An advance payment for the first quarter of 2003-04 towards this obligation was also made out of this amount. Some *ad hoc* payments were also made in respect of the VPTs, which have already been provided as replacement of MARR VPTs.

22. The sum of Rs.200 crore allotted for the Financial Year 2003-04 towards activities pertaining to Universal Service Obligation was fully utilized. Of this, Rs.66 crore were disbursed against the claims received for the Agreements towards Operation and Maintenance of VPTs, and Rs.5 crore for Replacement of MARR VPTs. The balance amount of Rs.129 crore was paid to BSNL as an *ad-hoc* advance payment for rural household DELs installed prior to 1.4.2002.

23. The requirement of funds has increased substantially from the current fiscal. Against the BE of Rs.2700 crore, an allocation of only Rs.200 crore has been made which has already been disbursed for the commitment already made. Additional Rs.1000 crore allotted in Supplementary Grants has also been disbursed for 91 lakh Rural DELs installed prior to 1.4.2002. The matter is being pursued with the Finance Ministry for release of the balance Rs.1500 crore. A sum of Rs.5000 crore has been asked for in the BE for the next Financial Year (2005-06).

24. The Committee desired to know about the latest position with regard to the release of the balance Rs.1500 crore to USOF. The Department stated in reply that no further allocation beyond Rs. 1200 crore was expected during the fiscal year 2004-2005.

25. The Committee then wanted to be apprised of the response of the Ministry of Finance towards allocating the requested amount of Rs.5000 crore in 2005-2006. In response, the Department stated that in the BE 2005-2006, the Ministry of Finance has provided a sum of Rs.1200 crore towards USO Fund as against the requirement of Rs. 5000 crore.

26. Expressing their concern, the Committee asked about the fate of the USSP objectives in case of non-allocation of the required funds. In reply, the Department have informed that in such a scenario, there will be delay in disbursements for the outstanding claims for the quarter ending 31.12.2004. Already the payments towards Rural household DELs installed between 1.4.2002 to 31.12.2004 in the identified eligible SDCAs are due to the service providers. The Agreements for installation of new facilities provided for quarterly disbursement in arrears on installation of the facility after it becomes functional. Non-availability of subsidy support could affect the roll out prescribed under the Agreements.

27. Asked to state the exact requirement for USOF in the year 2005-2006 towards disbursement of funds for the commitment already made, the Department stated that Rs.5000 crore for 2005-06 had been sought taking into account the payments that had become due for the Rural household Direct Exchange Lines installed during the period 1.4.2002 to 31.3.2005 as well as the amount that should be due towards the Public access facilities for which agreements have already been signed. Claims would also be received towards the RDELs that are installed post 1.4.2005. The exact requirement would be dependent upon the roll out achieved by the Service providers over this period.

28. The Secretary, DoT summarised in evidence that in 2002-2003, Rs.1653.61 crore were collected but allocation was only Rs. 300 crore leaving an arrear of Rs. 1353.61. Similarly, in the years 2003-2004 and 2004-2005 funds collected were Rs. 2143.22 crore and Rs. 2899.50 crore respectively whereas the corresponding allocations were Rs. 200 crore and Rs. 1200 crore. In the year 2005-2006, the Budget provided for Rs. 1200 crore only whereas the collections were anticipated at Rs. 3034.00 crore.

29. The Secretary, DoT added:—

"So, the overall arrears from the accrual will be Rs.6,830.33 crore".

30. In response to a specific query in this regard, the Secretary, DoT submitted:—

> "The USO Funds are being utilised to cover the digital divide............. we are compensating for it on the basis of most efficient, least rate offered by the Companies in the tender process. It is for this purpose that we require the money".

31. The Administrator, USOF supplemented:—

> "With your kind consent, I would like to bring forward the criticality of the next year. As the Chairman has pointed out, so far, we were doing practically what was to be done in the past. So, we are giving support of operating, maintaining and replacing these things. Next year, we are going to roll out new lines. We have promised that on installation, we would try to reimburse the capital cost because there are costly lines. If we renege on the payment in time, the enthusiasm with which these tender people participated will fade away. There was keen competition. The benchmark cost which we had established based on historical data has come down by about 60 to 65 per cent because of competition. So, if the players, who are going to install, do not get the funds, neither they will be rolling out nor will they have any incentive to do it in future because the arrears will accumulate. So, it is very critical for us".

32. The Committee then asked whether all the programmes under USO were only for the wireline services. The Secretary, DoT responded that the USOF was primarily structured to give support to basic telephony. He continued:—

> "(But), there is an internal debate, a very active debate, going on in the Department. The presentation is due now before the Hon'ble Minister. A strong view is that if we do not fund from USOF, the rural areas will be deprived of the mobile telephone also.......... But if mobile telephone is included, then this amount will be very much inadequate".

33. Asked to state the extent of demand for mobile telephones in rural areas, the Administrator, USOF submitted that there was a feeling of deprivation in the rural areas so far as mobile telephone was concerned coupled with an element of saturation in the urban metros particularly. So, there would be a push out to markets which were still to be explored. He further stated:—

> "To accelerate that, if support is given for setting up the tower in each of the rural areas, that would help".

34. He clarified that the intention was to get support in terms of passive infrastructure, say in terms of towers, which could be shared amongst various operators. He continued:—

> "Our intention, if it gets accepted, is to do it through a bidding process. The lowest bidder will get the tower with a period of exclusivity. It may be for six months or one year which we can determine. Thereafter, it is shareable. There is an incentive for him to bid, to get the tower and to set up business case. For instance, in the rural areas, there may not be a business case for more than two or three operators. So, the early bird will always have an excitement to go for this, spend it first and reimburse it from the Universal Service Fund. Those who want it a little later get it practically at no cost".

35. The witness summed up:

> "So, if only it is passive in terms of tower, if a certain support is given, we can do it. There is enough fund still available in the Universal Service Fund to even supplement the Cellular Mobile service".

36. The Committee then desired to know about the salient features of the Universal Service Support Policy (USSP). The Department clarified that the USSP came into effect from 1 April, 2002. The guidelines for implementation of Universal Service Support Policy bifurcated the implementation of USO in two clearly identifiable streams *i.e.* Stream–I and Stream–II. Stream-I involved provision of Public Telecom and Information Services as below:—

(a) Operation and Maintenance of existing VPTs in the villages identified as per census 1991 and Installation of VPTs in the additional villages as per census 2001.

(b) Provision of additional Rural Community Phones (RCPs) in villages with population exceeding 2000, after achieving the target of one VPT in every village.

(c) Replacement of Multi Access Radio Relay (MARR) based VPTs installed before 1.4.2002.

(d) Up-gradation of 35,000 VPTs to Public Telecom and Info Centers (PTICs) for providing both voice and data access.

(e) Installation of about 5,000 High Speed PTICs (HPTICs) for providing voice and high-speed data access.

37. Stream-II envisaged provision of household telephones (DELs) in net high cost areas (rural/remote). Subsequently, it was decided that Operating Expenses (OPEX) may also be considered for existing Rural DELs installed prior to 1.4.2002 in these areas as is being given to existing VPTs. 486 rural Short Distance Charging Areas (SDCAs) in the country were identified by DOT for the purpose of the roll-out provided in Basic Service Licenses. The benefits of Stream-II was to be extended to these rural SDCAs till they become revenue surplus areas.

38. The Committee desired to be apprised of the concrete achievement made so far in realising each of the objectives in both Stream-I and Stream-II of USSP. In reply, the Committee were informed that under Stream-I, 5.20 lakh villages have been covered through Public Telephone facility and operating and maintenance cost of such Village Public Telephones (VPTs) were being funded from USO.

39. The Agreement for VPTs in the 66,822 villages remaining uncovered has been signed on 10.11.2004. Insurgency prone villages and those with population less than 100 (totalling about 21,000 villages) are not to be covered as per the present policy. Based on the claims received for the quarter ending 31.12.2004, 1456 of these villages have already been covered. All these villages are to be covered within a period of three years.

40. Support is being provided towards both capital and operational expenses for replacement of 1,86,642 Multi Access Radio Relay (MARR) technology VPTs. So far 1,14,000 MARR VPTs have been replaced.

41. Agreements were signed on 30.9.2004, for installation of Rural Community Phones (RCPs) *i.e.* the second public telephone, in villages

with a population of more than 2000 covering 46,253 villages. The installation is to be completed over a period of three years. Based on the claims received, 1,917 such RCPs had been installed till 31.12.2004.

42. Support has also been provided for the period 1.4.2002 to 31.1.2004, to nearly 91 lakh Rural household Direct Exchange Lines (RDELs) installed prior to 1.4.2002 towards the rental differential between the TRAI prescribed rental and the rental actually charged by the service provider.

43. The bids for providing new RDELs to be installed between 1.4.2005 to 31.3.2007 in the identified 1685 net cost positive Short Distance Charging Areas (SDCAs) have been finalised. Agreements have also been signed with BSNL and Reliance Infocom Limited for the SDCAs in which they emerged as successful bidders. The Agreements with Tata Teleservices and Tata Teleservices (Maharashtra) are also expected to be signed shortly. The subsidy at the rate that has emerged out of the bid process, will also be disbursed for RDELs installed in the eligible SDCAs during the period 1.4.2002 to 31.3.2005.

44. As regards the activities on hand, the Committee were apprised that the draft tender for providing Public Tele-Info Centres (PTICs) and High Speed PTICs in select 2000 villages on Pilot basis has been issued on 2.2.2005 inviting comments from interested parties. This would be followed up by the tender covering all villages with population more than 2000.

45. The tender for providing new Rural household DELs in the identified SDCAs has been issued on 28.12.2004. The Agreements are expected to be signed before the close of the current financial year.

46. The Committee asked about the measures/safeguards contemplated to see that funds disbursed towards provision of services covered under USO were effectively utilised and quality services were available to the users. The Committee were informed that one of the prime concerns of the Department was that the funds disbursed towards provision of services covered under USO were effectively utilized and the services were available to the users as intended. To ensure proper quality of service and maintenance of various records, conditions do exist in the Agreements with the Universal Service Providers (USPs). The Agreements also provide for deductions in subsidies if the facility is non-functional on account of faults, or

disconnected for non-payment or do not record any calls over the specified period. In terms of the stipulations in the Agreements, the service providers have to submit a self-certification of fault incidence on the VPTs while submitting the claims in the Proforma prescribed. The Agreements also contain a provision for charging of interest at the Prime Lending rate of SBI on the amount paid in excess of 10% of the total payment due during the financial year.

47. The disbursing Officers have also been authorized to verify the availability of the facilities through the billing and other records maintained by the Universal Service Providers. In addition, physical verification is also carried out by them on a sample basis. The staff from the USF headquarters also visit the service areas for inspecting the facilities provided and the records maintained.

48. The Universal Service Providers have also been advised to put on the website village-wise details of the facilities provided by them.

(iii) Access Deficit Charges (ADC)

49. The Committee have been informed that on 29 October, 2003 the Telecom Regulatory Authority of India (TRAI) notified the Interconnection Usage Charges (IUC) Regulation, which had included Interconnection Usage Charges involving origination, carriage, termination charges on the basis of per minute usage of the network elements and Access Deficit Charges (ADC) Regime. In this Regulation itself, the Authority had specified that in the subsequent years, it would review both the size of the ADC payments as well as who should be the beneficiaries of the ADC Regime. In order to review the prevailing ADC Regime, the Authority initiated a process by releasing a Consultation Paper on June 23, 2004. Based on the response of the stakeholders and its own analysis the Authority has issued "The Telecom Inter-connection Usage Charges (4th Amendment) Regulation, 2005" on January 6, 2005. Some of the salient features are:—

(a) The ADC amount will be similar to that specified in the Regulation of October 29, 2003.

(b) The present methodology of charging ADC in per minute terms on the calls subject to ADC, will also remain unchanged.

(c) The ADC charge per minute to be collected will be revised downwards, in view of the higher number of minutes available. In comparison to the regime notified under the IUC Regulation of October 29, 2003, the ADC amounts will be collected as per the following charges.

- The ADC charge of Rs. 0.30/- per minute will remain Rs. 0.30/- per minute.
- The ADC charge of Rs.0.50/- per minute will be Rs. 0.30/- per minute.
- The ADC charge of Rs. 4.25/- per minute applicable for International Long Distance service will be Rs. 2.50/- per minute for outgoing calls and Rs. 3.25/- per minute for ILD incoming calls.

(d) The "other fixed line operators" will retain ADC only generated by them from their outgoing calls. BSNL will get the ADC from all other relevant calls (*i.e.* calls subject to ADC charge), including from all incoming international calls and all calls made by mobile.

(e) The revised regime has been implemented from February 1, 2005.

(f) The Authority proposes to review the regime within six months of implementation.

50. The Committee asked about the impact of the reduction of ADC on the financial condition of BSNL and MTNL. It was replied that according to TRAI, amount of ADC to be provided to BSNL was estimated to be around Rs. 4954 crore which is comparable with the previous ADC estimations of Rs. 4792 crore. However, BSNL has stated that it expects reduction in the ADC amount by Rs. 1254 crore. MTNL has stated that it will lose the ADC amount by Rs. 570 crore including Rs. 276 crore as direct ADC.

51. It was further stated that TRAI's review of ADC assessment was based mainly on the increased minutes available to fund the ADC. The main focus of the ADC Regime has been BSNL.

52. As regards the impact, the Committee were informed that it was difficult to assess the exact impact, as traffic pattern was based on various factors. Further TRAI has stated that this regime would be

reviewed in a period of 3-6 months. A consultation paper for the same has been issued on 17.03.2005. MTNL has filed a petition in TDSAT against the Interconnect Usage Charges Regulation issued by TRAI effected from 01.02.2005.

53. In evidence, the CMD MTNL, in response to a query of the Committee regarding justification of granting ADC to MTNL, stated that when MTNL had the monopoly, they were not allowed to increase the rentals and call charges. When monopoly went away and competition set in, the Company was set free to increase its tariffs. MTNL could not do so because it would not have survived in the market. At this juncture, compensation for fixed line cost was granted in the form of ADC. But the recent revision of ADC has hit the Company by about Rs. 300 crore.

(iv) Merger of BSNL and MTNL

54. The Committee asked whether there was any proposal for merger of the BSNL and MTNL and the arrangements made to protect the interest of both the Companies in such an eventuality. In reply, the DoT have stated that the Government has appointed consortium of consultants comprising of ICICI Securities Limited, ABN Amro Rothschild, A.F. Ferguson&Co., Desai and Diwanji to assist the Government in restructuring of MTNL and BSNL. The objective of restructuring is to bring about synergy between the two companies, improve their competitive position and enhance value for all the stakeholders. The consultants have given the report recently and the same is under examination. No decision has been taken so far in this matter.

55. During evidence, the Committee wanted to know whether the Report submitted by the Consultants has been examined in the Department. The Secretary, DoT stated that the Department constituted a Committee headed by the Chairman, Telecom Commission with all the Members and other experts to look into that Report. Various options emerged out of the examination of the Report. Out of that three options have been considered worth of further examination. One option is where BSNL acquired the Government share of MTNL and then goes for IPO route. The second option is to form a Holding Company with BSNL and MTNL as part of that, with certain common branding, common tariff, common strategy etc.

56. As regards third option, the witness added:—

> "The third has been that if BSNL and MTNL want to suggest any amendment to these two, they have been given 15 days' time and both the managements of BSNL and MTNL should go further into that and they should submit their comments. After the comments are received some time by middle of April, the Committee will again meet and then the recommendations will go to the Minister. I see some kind of a plan emerging after about three months".

57. As regards the second option, the Committee pointed out that when BSNL and MTNL were competing against each other, whether formation of a Holding Company would be justified. The Secretary, DoT responded that when MTNL was formed, the pay structure given to MTNL was disproportionately high. Similarly, after the formation of BSNL, the entire Pension Act was amended to provide for the compensation of BSNL. Therefore, in case of a merger, pay-scale implications would be worth Rs. 500 crores. Similarly, it would be very difficult to give pensionary benefits in one form to approximately 58,000 employees. In addition, the Stamp Duty implications would be worth Rs. 1,200 crore to Rs. 1,400 crore.

58. The witness added:—

> "In order to meet these three challenges, the concept of BSNL taking the share of Government in the MTNL and thus having some kind of management control without merger was considered a little more feasible and practical option in the medium-term scenario"

59. The Committee desired to hear the views of BSNL and MTNL in this regard. The CMD, BSNL stated that right from the beginning, they have been holding the view that both BSNL and MTNL should have a national footprint. He elaborated that all their competitors were having national footprint whereas BSNL and MTNL had serious limitations. He added:—

> "What we wanted is that we should arrange out working in such a way that there is synergy between operations of BSNL and MTNL so that we can serve our customers better".

60. Clarifying the advantages of a merger, the CMD, BSNL stated that in such an eventuality creation of duplicate infrastructure could be avoided and there would be savings in bulk procurement.

61. The CMD, MTNL submitted that when the merger issue was discussed, the basic theme behind it was synergy, cost cutting measures and unified command so that it could be implemented across the board. He categorically stated that no purpose would be served by putting in place a unified command *i.e.* Holding Company because both the Companies would have to maintain the related party transaction precautions.

62. He emphasized:—

"If purpose of synergy is to be achieved, there is no other route except merger".

B. ATTACHED/SUBORDINATE OFFICES

(i) Telecom Engineering Centre

63. The Committee were informed that for Telecom Engineering Centre (TEC) the Plan BE for 2003-2004 was Rs. 2.27 crore which was increased to Rs. 2.48 crore, but there has been a marginal shortfall in the actual expenditure *i.e.* Rs. 2.46 crore. The Plan BE 2004-2005 provided for an amount of Rs. 4 crore which was reduced to Rs. 2.98 crore. The BE 2005-2006 provides for Rs. 1.13 crore only.

64. In this context, the Committee desired to be apprised of the reasons for savings of Rs. 2 lakh on the part of TEC during the year 2003-2004 as well as the reduction in the 2004-2005 BE amount Rs. 1.02 crore. In reply, it was stated that the saving of Rs. 2 lakh was due to non-receipt of bills from DGS&D against the supplies made by them. Rs. 1.02 crore were surrendered due to the cancellation of optical fibre test instrument project estimate. This estimate was cancelled as the Type Approval Activity was to be made over to BSNL.

65. The Committee then asked about the actual expenditure of TEC upto 28 February, 2005 and whether any shortfall was anticipated by the end of 2004-2005. In reply, the Committee were informed that the actual expenditure position up to 28.02.2005 was Rs. 36.27 lakh. The RE allotment was for Rs. 2.98 crore. A sum of Rs. 1.20 crore was primarily surrendered as the payment for building in Kolkata is not expected during the current financial year. Against the final R.E allotment of Rs. 1.78 crore, Rs. 98.54 lakh was further surrendered due to non-receipt of bills from DGS&D against computer supplies and saving under the GOI component of World Bank TA project. It is

expected that the final allocation of Rs. 79.46 lakh will be utilized by 31.03.2005.

66. In response to another query regarding provision of Rs. 1.13 crore only during 2005-2006, it was stated that the project of World Bank on Training Programme has been completed this year & the rest of schemes has fund requirement of Rs. 1.13 crore only during the year 2005-06.

67. As regards physical targets set for the year 2003-2004, 2004-2005 and 2005-2006 and achievement made during 2003-2004 and 2004-2005, the following statement was furnished to the Committee:—

Physical Targets

S.No.	Items	Annual Action Plan 2003-2004		Annual Action Plan 2004-2005		Annual Action Plan 2005-2006 Target
		Target	Achievements	Target	Achievement (up to January, 2005)	
1.	**GRs/ IRs & Test Schedule Issued**					
	New GRs/IRs	56	**46**	56	16	**Under preparation**
	Review GRs/IRs	181	**111**	159	195	
	Test Schedule/Test Procedure	46	**93**	93	20	
2.	**Approvals Issued**	No target prescribed		No target prescribed		Work for issuing of Type Approval has been transferred to BSNL On 1st January, 2005
	Type		**460**		**369**	
	Interface		**214**		**197**	
3.	**Service/ POI Test Certificate**		**94**		**55**	

68. As may be seen from the above statement, TEC has failed to achieve the physical targets in two out of the three schemes during the year 2003-2004. For example, in New GRs/IRs the target was 56 whereas the achievement was 46. In review GRs/IRs, the target was 181 and the achievement 111 only. Similarly, during the year 2004-2005, the targets for new GRs/IRs and Test Schedule/Test Procedure

were 56 and 93 whereas the achievement (upto January, 2005) was 16 and 20 respectively. The Annual Action Plan for 2005-2006 has been stated to be still under preparation.

69. In this context, the Committee asked about the reasons for shortfalls in the achievement of abovementioned targets during 2003-2004 and also the achievement of physical targets (as on 28 February, 2005) earmarked for the year 2004-2005 and whether any shortfall in achievement of target was anticipated by the year end. In reply, the Committee were informed that for year 2003-04, the shortfall with regard to new and reviewed GRs/IRs was due to the fact that after the preparation of the target, it was subsequently realized that few standards were yet to be frozen by International Standard Bodies. Also, the review of GRs was not undertaken in many cases as very few changes were anticipated in the GRs.

70. For the period up to 28th February 2005, the achievement in new GRs/IRs target was 18 and in Test Schedule/Test Procedure it was 27. The target and achievement for Review GRs/IRs was 159 and 202 respectively. Some shortfall is expected in the physical targets of new GRs/IRs and Test Schedule/Test Procedure owing to the facts, mentioned above.

71. The Committee then enquired about the reason for non-fixation of targets for the year 2005-2006. In reply, the Committee were informed that the targets for the year 2005-2006, which were applicable as of 1st April, 2005, were in the process of release.

(ii) Wireless Planning and Coordination Wing (WPC)

72. The Committee have been informed that Telecom Sector Reform TA Project has a total outlay of US $52 million consisting of World Bank assistance component of US $42 million and a Government of India component of US $10 million. The WPC component of the project is for implementation of "National Radio Spectrum Management and Monitoring System (NRSMMS)" consisting of World Bank component of US $37.68 million and Government of India component of US $9.38 million.

73. The Committee have also been informed that the NRSMMS project consists of Automated Spectrum Management System (ASMS), Spectrum Management System requirements, Monitoring System

requirements for which 44 various types of units are required to be set up. The total outlay in the Tenth Five Year Plan for WPC has been stated to be Rs. 251.64 crore, but the Budgetary Support (World Bank funded project) to the extent of Rs. 239.64 crore (originally) has been reduced to Rs. 162.24 crore.

74. In the above context, the Committee enquired about the other Telecom Sector Reform Projects for which an amount of US $4.94 million has been earmarked, the World Bank assistance component out of that, the status of those other Projects and the system evolved to monitor the progress of those Projects. The Department stated that the other part of Telecom Sector Reform Project were TRAI, TDSAT, TEC and DOT(HQ) and the World Bank assistance was as follows:—

Component	Will be Assistance (USS million)	GOI component (US$ million)	Total (US $ million)
TRAI	2.50	0.45	2.95
TDSAT	0.60	0.06	0.66
TEC	0.50	0.08	0.58
DOT(HQ)	0.10	0.03	0.13
Total			**4.32**

75. It was further stated that the project Telecom Sector Reform TA Project has been closed on 31.12.2004 except 'Good Category' (relates to WPC component of the project only) for which the closing date is 31.03.2006.

76. The Committee then asked about the amount WPC has received from the World Bank component of US $37.68 million during the first three years of the Tenth Plan period towards implementation of NRSMMS and the amount utilised thereof. In reply, it has been stated that the quantum of amount WPC has received from the World Bank component of US $37.68 million during the first three years of the Tenth Plan period towards implementation of NRSMMS was as under:—

Sl.No.	Year (10th Five Year Plan)	Amount received from World Bank (In Rupees)
1.	2002-03	0
2.	2003-04	79.05 cr.
3.	2004-05	31.13 cr.

The percentage of utilisation of funds during the aforesaid years are:—

Sl.No.	Year (10th Five Year Plan)	Year-Wise exp. (in Rupees)	Year-Wise Revised Estimate	Percentage of Exp. w.r.t. R/E
1.	2002-03	16.23 cr.	38.62 cr.	42.02%
2.	2003-04	94.15 cr.	105.00 cr.	89.67%
3.	2004-05	3.16 cr.*	20.00 cr.	15.80%

* The expenditure is upto 15-3-2005.

77. Asked to state the reasons for shortfalls and measures taken to optimally utilise the World Bank aid, the Department stated that the project for automation of RF Spectrum Management and modernization of Radio Monitoring facilities was highly complex and unique. Hence all precautions have been taken to ensure its success. Two stage bidding process was adopted as per World Bank procedure. The contract was finally signed on 31st October, 2002 after completion of various activities. Although Letter of Credit was established on 28.02.2003, the contractor wanted various amendments therein. This led to protracted negotiations and delay and LC was finalized in June 2003. The supply of plant and equipment and associated services commenced thereafter. The issues of cost implications for increased tower height at various sites and change of emission norms of vehicles from Euro-I to Euro-II could be finalised in September-October 2003 after protracted discussions and negotiations. The issues namely performance of V/UHF mobile monitoring system, design of SHF mobile monitoring system and Fixed Satellite Monitoring Facility are still unresolved. The Department are in the process to finalise these issues at the earliest. As per new time schedule, the 21 fixed sites and 21 V/UHF mobile facilities of National Spectrum Management System (NSMS) of Wireless monitoring Organization are expected to be completed by end of June 2005. The 20 SHF mobile facility and fixed Satellite monitoring facility are expected to be completed by Dec. 2005. Keeping in view the complexity of the project all out efforts are being taken regarding successful completion of the project by end of financial year 2005-06.

78. The Committee then enquired about the preparedness of WPC to cater to its Spectrum Management and Monitoring system

requirements in view of the reduction of Rs. 77.40 crore in the Budgetary Support (World Bank funded project). In response, it was stated that at the time of formulation of the project (1999-2000), Rs. 225 crore (US$50 million @ Rs. 45/-) was allocated under 'Goods' category for implementation of NRSMMS. However, the price for implementation of NRSMMS as quoted by the qualified bidder was approximately Rs. 171 crore only. Therefore, it may be possible to manage Project with the reduced WB allocation and a small amount from GOI component.

79. From the documents furnished to the Committee, it was observed that during the year 2004-2005, the BE for WPC was Rs. 73.75 crore which was reduced to Rs. 20.00 crore at the RE stage. Out of that, an amount of Rs. 13 crore was surrendered and would be claimed in BE 2005-2006. The actual expenditure as on 31 January, 2005 has been Rs. 2.59 crore only. Reasons for such variation/utilisation has been stated to be non-completion of the job in time by the contractors. The BE 2005-2006 provides an amount of Rs. 62.71 crore and it has been requested to enhance it to Rs. 75.71 crore.

80. In the above context, the Committee desired to know whether any action was taken/penalty imposed upon the defaulting contractors and measures taken this year to avoid recurrence of the non-performance of contractors and other impediments in order to ensure that this year's BE amount of Rs. 62.71 crore is fully utilised and physical targets accomplished. In reply, the Department stated that penalty i.e. liquidated damages were proposed to be imposed upon the defaulting contractors as per Contract procedure. Utmost care was being taken to utilise the allocation for financial year 2005-2006. All possible care has been taken in the past also for timely implementation of the project. However, due to the complexity of the project and some unavoidable circumstances, the project could not be completed on time. The project is slated to be completed by end of December 2005.

81. Asked to state the steps taken to get the required sum for WPC, it was stated that the matter would be taken up with Ministry of Finance for adequate provision at RE 2005-06 stage.

82. In response to another specific query regarding the revised completion date of the Project which was originally slated to be completed by December, 2004, it was stated that the project was now scheduled to be completed by March, 2006.

(iii) Wireless Monitoring Organisation (WMO)

83. The Committee have been informed that the total outlay for the Tenth Five Year Plan (2002-2007) for Wireless Monitoring Organisation (WMO) has been Rs. 49.45 crore to carry out the continuing schemes as well as to undertake new schemes. The percentage of overall utilisation of the plan budget in the Tenth Five Year Plan till this time is nearly 22 per cent. It has also been stated that certain schemes could not be initiated as the implementation of a major modernisation project is presently at an advanced stage and actual additional requirements need to be reassessed post implementation of the said project. Also, the total budgetary requirement included the provision for the acquisition of land and construction of office buildings on it, but despite best efforts, delay occurred due to dependency on the respective State Governments for the purpose of land acquisition.

84. In their Action Taken Replies to the Committee's last year's Report on Demands for Grants, the Department had stated that the land for which budget was provided in the Financial Year 2004-2005 were already identified. Further, all the existing procedures for land acquisition were being followed scrupulously, as reported by the Department.

85. In this regard, the Committee asked whether WMO would be able to expend the total outlay amount of Rs. 49.45 crore during the remaining period of the Tenth Plan given the fact that till now the expenditure has been 22% only. The Department stated that, as reported earlier, a major modernisation project was in progress hence certain plan schemes of WMO needed to be reassessed post implementation of said project. However WMO would make all out efforts to achieve maximum utilisation of its allocated Plan budget.

86. The Committee further asked whether land has already been acquired and construction work started for the field offices of WMO, as assured, to optimally utilise the 2004-2005 allocation. In reply, the DoT stated it was stated that during the year 2004-2005, the payment towards the cost of the land has been paid at Jammu. The sanction for payment towards cost of land at Mangalore has been issued recently and it is expected that the payments will be made to the concerned State Government within this financial year. Allocation for the land required at few other places has not been made as the land is still to

be identified. Construction activities on the plots of land already acquired by WMO will be started at the earliest following all the necessary procedures.

87. It was further stated that the Modernisation project was still in progress and expected to be completed by end of the financial year 2005-06.

88. It has been observed from the documents furnished to the Committee that the Plan Expenditure of Rs. 14.27 crore for 2004-2005 BE has been reduced to Rs. 3.27 crore at the RE stage. The BE 2005-2006 provides Rs. 18.77 crore as plan expenditure. In this regard, the Committee asked about the reasons for reduction of 2004-2005 plan expenditure by Rs. 11 crore when land had already been identified and the acquisition process was being scrupulously followed, as stated to the Committee earlier. The DoT, in reply, stated that the allocation for the BE 2004-2005 was Rs. 14.27 Crores which was reduced to Rs. 10.87 Crores in RE 2004-2005. The reason for reduction was non-start of constructional works due to delay in acquiring of the land for setting up of permanent Wireless Monitoring Stations as well as non-implementation of certain Technical Schemes requiring re-assessment post implementation of the ongoing modernisation project.

89. The Committee then desired to know whether the reduced amount of Rs. 3.27 crore would be fully expended by the end of the 2004-2005 fiscal and measures taken for optimal utilisation of Rs. 18.77 crore as earmarked for 2005-2006. In reply, the Committee were informed that an overall utilisation of nearly Rs. 5.0 crores has been achieved during Financial Year 2004-2005. Rest of the amount has already been surrendered. The reduction was due to non implementation of the certain Technical Schemes requiring reassessment, after implementation of the ongoing modernisation project. It was added that allocation of Rs. 18.77 Crores has been made for WMO for the financial year 2005-2006. The schemes would be implemented with appropriate monitoring mechanism.

C. STATUTORY REGULATORY BODY

Telecom Regulatory Authority of India (TRAI)

90. The Committee have been informed that one Project titled 'Institutional Capacity Building' has been proposed for conducting

consultative studies on regulatory issues by engaging international consultants/consultancy firms of repute and to fulfil the training needs of TRAI officials. The proposed project is a new project and shall commence from 2005-2006. An amount of Rs. 3.50 crore has been proposed for the year.

91. In this regard, the Committee enquired about the term of the project and asked whether the proposed amount of Rs. 3.50 crore during 2005-2006 will be sufficient for TRAI to carry out the 'Institutional Capacity Building' Project. In reply, it was stated that the term of the project would be three years and it would be implemented during the years 2005-06, 2006-07 and 2007-08. The total requirement of funds for the project during these three years will be Rs. 10 crores.

92. It was further stated that the proposed amount of Rs. 3.50 crore would be sufficient for the year 2005-06 for implementing the 'Institutional Capacity Building' Project. Out of this, an amount of Rs. 2.75 crore will be spent on Consultancies and Rs. 0.75 crore on training.

93. Asked to state the precise studies proposed to be conducted and to the extent the studies would help strengthen TRAI's institutional capacity, it was stated that the following studies/consultancies were proposed to be taken up during the year 2005-06:—

(i) Expansion of rural telephone network;

(ii) Expansion of Cellular Infrastructure in rural areas;

(iii) Study of Quality of Service & Customer Survey (mandated under TRAI Act);

(iv) Opening up of unrestricted Internet Telephony;

(v) Determination of QoS parameters of Broadband Services;

(vi) Uplink-downlink policies;

(vii) Technical Standards for Broadband cable TV;

(viii) Trends in Telecom Tariff in Developing Countries

(ix) Tariff Issues in the Converged Services scenario.

94. The Telecom Regulatory Authority of India has been assigned regulation work related to telecom sector as well as broadcasting and cable services and it has to make recommendations to the Government,

either *suo motu* or on a request from the Government. To carry out these functions, conducting of studies and engaging consultants are essential to benefit from the experience of the international consultants and to ascertain international trend in the fast changing telecommunication technology. Since TRAI has a small manpower of approximately 140 officers and staff, outsourcing of the activities by engaging consultants is a must. This is an on-going process for TRAI and it was earlier done with the assistance from the World Bank, which has ceased with effect from 31st December 2004. These studies and consultancies will help build TRAI's institutional capacity to meet the new challenges being posed to it.

95. As regards identifying the training needs of the TRAI officials, it was stated that in TRAI, separate divisions pertaining to Fixed Network, Mobile Network, Convergence Network, Quality of Service, Broadcasting and Cable Services, Economic, Administration, Legal and Financial Analysis work have been set up. The officials of these divisions are sponsored for participating in the training programmes related to their fields of work conducted by reputed national and International training organisations. The training calendar of these institutions are used for identifying and nominating the officials for training. Thus, the training needs of the officials of TRAI have been identified and the funds allocated for it will be gainfully utilised by TRAI.

D. STATUTORY TRIBUNAL

Telecom Disputes Settlement and Appellate Tribunal (TDSAT)

96. It has been observed from a statement furnished to the Committee that 2004-2005 BE provided for Rs. 60 lakh for plan expenditure which was increased to Rs. 70 lakh at the RE stage. During the preceding year there was a shortfall of Rs. 24 lakh towards plan expenditure. The 2005-2006 BE provides for Rs. 1 crore for plan expenditure towards upgradation of Reference Library, Holding of Seminars, Study Visits and Training.

97. In this regard, the Committee asked about the anticipated plan expenditure of the Tribunal by 31 March, 2005 and also desired to know whether there would be any shortfall as had happened during the preceding year. In reply the DoT stated that the Plan expenditure during the year 2004-05 was expected to be around Rs. 60 lakhs. The

revised projection of Rs. 70 lakhs was made keeping in view that the World Bank project may be extended beyond 31st Dec. 2004. However, the project has not been extended. This, therefore, resulted in surrendering the additional amount of Rs. 10 lakhs sanctioned in 2004-05 RE. Till date an amount of Rs. 55 Lakhs (approx.) has been utilized, out of Rs. 60 lakhs allocated in BE 2004-05 and the balance amount is expected to be utilized in the payment of pending bills to be received from MEA etc. regarding the study tour undertaken by the Hon'ble Chairperson and Members during year 2004.

98. The Committee pointed out that during examination of Demands for Grants last year they were informed that one of the reasons for savings in plan expenditure on the part of TDSAT was the postponement of some study tours by its Chairperson and Members. In that context, the Committee asked about the measures proposed by the Tribunal to avoid recurrence of last minute postponement of study tours. In reply, it was stated that the Tribunal proposed to prepare in advance a schedule on the Study tours of Chairperson and Members and training of officers. Action will be taken to strictly comply with the schedule prepared, so that the amount of Rs. 50 lakhs sanctioned in BE 2005-06 on this account is fully utilized.

99. In response to a specific query regarding the number of cases referred to, decided by and still pending in the TDSAT, the following statement was furnished to the Committee:—

Year	No. of Cases Referred			Decided/Pending of the Cases						Dismissed	Allowed
	Petition	Appeal	Total	Decided			Pending				
				Petition	Appeal	Total	Petition	Appeal	Total		
1st Jan, 2003 to 31st Dec., 2003	20	32	52	15	30	45	5	2	7	38	7
1st Jan, 2004 to 31st Dec., 2004	56	5	61	21	5	26	35	—	35	22	04

Note: 1. Out of the cases referred to TDSAT during the years 2003 and 2004, in two cases parties have moved to the Supreme Court of India.

Note: 2. Average number of days to process one case in 70 days (approx.)

Note: 3. There are 42 cases pending in TDSAT for the years 2003 and 2004.

E. AUTONOMOUS BODY

Centre for Development of Telematics (C-DOT)

100. The year-wise total outlay for the Tenth Plan period for C-DOT is stated to be as follows:—

YEAR	OUTLAY (Rs. in Crores)
2002-2003	150.00
2003-2004	162.00
2004-2005	166.00
2005-2006	180.00
2006-2007	180.00
Total	***838.00***

101.The BE, RE and Actual Expenditure for the years 2002-2003, 2003-2004 and 2004-2005 (provisional) and the BE for 2005-2006 for C-DOT was stated to be as under:—

(Rs. in crores)

YEAR	BE	RE	OUTLAY (Rs. in Crores)
2002-2003	145.78	135.63	97.16
2003-2004	155.35	155.35	126.26
2004-2005	145.61	145.61	68.36 (provisional)
2005-2006	68.36	—-	—-

102. As will be seen from the above statement, the total outlay in the Tenth Five Year Plan for C-DOT has been Rs. 838 crore, year wise outlay being Rs. 150 crore in 2002-2003, Rs. 162.00 crore in 2003-2004, Rs. 166 crore in 2004-2005, and Rs. 180 crore each in 2005-2006 and 2006-2007. But it has been observed from the second statement that for the year 2002-2003, the BE amount for C-DOT was Rs. 145.78 crore which was reduced to Rs. 135.63 crore at the RE stage. Similarly,

2003-2004 BE and RE provided an amount of Rs. 155.35 crore and 2004-2005 BE and RE provided Rs. 145.61 crore. In 2005-2006 BE, a sum of Rs. 131.40 crore has been provided for Plan expenditure against the original outlay of Rs. 180 crore. The Actual expenditure during the years 2002-2003, 2003-2004 and 2004-2005 has been Rs. 97.16 crore, Rs. 126.26 crore and Rs. 68.36 crore (Provisional) respectively.

103. In this context, the Committee enquired about the reasons for variations in the year-wise proposed outlays *vis-à-vis* the Budgetary Support actually provided during the years 2002-2003 to 2005-2006. The DoT stated that the main reasons for variations in the year-wise proposed outlays *vis-à-vis* budgetary support actually anticipated in the Tenth Five Year plan were as follows:—

> "There has been very fast change and a complete paradigm shift in the technology scenario, market requirements, the type of products and also the modality of working. There has been technology shift from fixed line to wireless and broadband. Also, focus is more on value added services and software intensive products. This calls for more effort on software rather than hardware intensive infrastructure of the equipment and similar prototype. Also, presently there has been more emphasis on joint working and pooling of the resources. This necessitated the fine tuning of the outlays and corresponding actual expenditure".

104. The Committee then asked whether C-DOT would be able to spend Rs. 546.22 crore in the remaining two years of the plan period in view of the fact that the Actual expenditure by C-DOT during the first three years of the Plan period has been Rs. 291.78 crore only. In reply, the DoT stated that C-DOT would not be spending Rs. 546.22 crores in the remaining two years of the plan period and was likely to spend an amount of the order of Rs. 280 crore in 2 years. This would not delay the important schemes as the work has been reprioritized and refocused according to the national & market requirements and correspondingly the projects have been pruned.

105. Asked to state the measures taken by C-DOT for optimal utilisation of the 2005-2006 plan expenditure, it was replied that C-DOT was taking steps to ensure that there was no shortfall in the planned expenditure of Rs. 131 crore as earmarked for 2005-06, as a definitive road map has been prepared both for the short term and long term. The projects in both the categories have already been

initiated. The working modalities have also been finalized matching the resources required etc. An understanding has been reached with partner organizations on the same. The procurement process for use of infrastructure during next year has been initiated.

106. As regards the internal revenue generation target fixed for C-DOT and achievement made thereon during the fiscals 2002-2003 to 2004-2005, the following statement was furnished to the Committee:—

Year	Target (Rs. in Crores)	Actual* (Rs. in Crores)
2002-03	35.00	16.90
2003-04	35.00	17.87
2004-05	40.00	35.00**

Notes:-* As Per Audited Accounts for the years 2002-03 and 2003-04.

**Anticipated upto March'2005 based upon the actuals upto Feb'2005 and the expected realizations during March'2005.

107. Asked to state the reasons for above seen shortfalls in the targetted internal revenue, in reply, the DoT stated that the reason for shortfall in the internal revenue was mainly because of fall in the royalty anticipated on fixed line technologies. However, the internal revenue generation during the year 2004-05 has shown marked improvement because of C-DOT re-aligning itself according to the new needs.

F. PUBLIC SECTOR UNDERTAKINGS

(i) Bharat Sanchar Nigam Limited (BSNL)

(a) General

108. The following statement showing the layout proposed by the Department and the amount actually provided by the Planning Commission for BSNL in the year-wise Annual Plans from 2003-2004 to 2005-2006 was furnished to the Committee:—

(Rs. in crores)

Item/ Year	2003-04	2004-05	2005-06
Outlay Proposed	14719	14777	15081
BE Approved	12285	8809	9696
RE Approved	10608	6636	—

109. Similarly, the BE, RE and Actual Expenditure for the years 2002-2003 to 2004-2005 was stated to be as follows:—

(Amount in Crores of Rupees)

S.No.	Year	Budget Estimates	Revised Estimates	Actual Expenditure
1.	2002-03	14076	11819	12057
2.	2003-04	12885	10608	6535.80
3.	2004-05	8809	6636	—

Note:- Expenditure is not incurred for Non Plan Projects in BSNL.

110. As is seen from above the BE for the Annual Plan of 2005-2006 for BSNL has been approved at Rs. 9696 crore against the proposed outlay of Rs. 15081 crore. The funding pattern of this Rs. 9696 crore is Rs. 8051 crore through internal resources and Rs. 1645 crore through Bonds/Debentures. There has been no Budgetary support.

111. Similarly, it is seen that during the years 2003-2004 and 2004-2005 against the proposed outlay of Rs. 14719 crore and 14777 crore, the BE approved was Rs. 12285 crore and Rs. 8809 crore (excluding USO and Spectrum Charges) respectively. To make the matters worse, the approved amount was correspondingly reduced to Rs. 10,608 crore and Rs. 6636 crore. The actual expenditure in 2003-2004 has been stated to be Rs. 6535.80 crore. For the year 2004-2005 (as on 31 December, 2004) the actual expenditure is Rs. 4181 crore.

112. In the above context, the Committee asked about the considerations upon which the Ministry of Finance/Planning Commission have consistently reduced the proposed outlay for BSNL during the aforesaid years and the reasons for reduction of 2003-2004 and 2004-2005 RE by approximately Rs. 2000 crore. In reply, the DoT stated that the RE for 2003-04 for BSNL was Rs. 10608 crores which included an amount of Rs. 2498 crores on account of reimbursement of Licence Fee, Spectrum Charges and USO support. However, in the subsequent years *i.e.* 2004-05 and 2005-06, the BSNL outlays did not include the reimbursement of Licence Fee, Spectrum Charges and USO support under plan head as the same was provided by the Ministry of Finance under non -plan head. Nevertheless, the reason for reduction in outlays is the inadequate/ non - provision of reimbursement of

Licence Fee and Spectrum Charges to BSNL and also lower provision under USO Fund as against the requirement.

113. It was further stated that at the time of finalisation of the Revised Estimates, the proposed targets were reviewed with reference to availability of equipments on completion of tendering process, reduction in the cost of equipments due to competition etc., resulting in reduced requirement of capital outlay. Total Capital Expenditure for the year 2003-04 is Rs. 6537.16 Crores and the expenditure on the basis of cash flow upto 31.12.04 is Rs. 4188.03 Crores.

114. Asked to furnish the reasons for BSNL falling short in spending the 2003-2004 RE sum of Rs. 10608 crore, the Department was replied that the actual addition of Gross Fixed Assets in the year 2003-2004 was Rs. 9947.22 Crores which is very close to the Budget targets.

115. Regarding the expected expenditure in the year 2004-2005, the Committee were informed that while the outflow for Capital Expenditure during the year 2004-2005 was expected to exceed Rs. 6000 Crores, the actual Capitalisation would be known only after the accounts for the year 2004-05 were finalised. At the stage of finalisation of accounts, a clear picture shall emerge regarding allocation of overheads and further reduction in Work in Progress and Inventories. It is difficult at this stage to anticipate shortfall in capital outlay, if any.

116. During evidence, the Committee expressed its surprise over lesser expenditure by BSNL when it was intended mostly on the procurement of equipment and desired to be apprised of the precise reasons for the same. The Secretary, DoT accepted that expenditure should have been more but for slow procurement, it was less.

117. Asked to state the reasons for slow procurement, the Secretary, DoT explained that due to poor estimation of the demand and supply position on the part of BSNL, there was much lower procurement. The Company could not foresee the demand for 15 million mobile lines and therefore they were not prepared for vast procurement. However, for the first time in the history of BSNL, a tender was floated in January, 2004 for 11.5 million lines (mobile).

118. Highlighting the other reason for slow procurement, the Secretary, DoT during evidence stated:-

> "..........I will confess very honestly that there was a delay in decision taking. The process is very long. There were no intentions, but it took nearly 10 months to finalise a tender which was floated in January (2004)".

119. The Committee pointed out that expectation of people from BSNL and MTNL was much higher and these Companies should be prepared to meet it adequately. The Secretary, DoT responded:—

> "Sir, the observation is very well constructively taken and it is a challenge before both BSNL and MTNL. On this issue, there is no defence again. Your observation is accepted totally. For the information of the Committee, the growth rate has been almost everything in the area of mobile telephone. In the last two or three years, the real growth rate has been in the mobile telephone. BSNL entered in mobile telephone much later when compared to private operators. Initially it was all license to private operator as far as mobile is concerned. It has its impact".

120. He further added:—

> "There is no doubt that the BSNL today, if it can provide mobile lines, can immediately increase it by 10 millions because there is a demand in the entire rural areas and the cites. They are all demanding BSNL mobile phones. So that point is well taken that we have to improve".

121. Asked to specify the pressure exerted upon BSNL by the Department to cater to the demands of people for mobile telephones, the Secretary, DoT replied:—

> "Sir, only three days back, the orders have been issued. Although BSNL does not agree, I must present their point of view. Like wire-line services, on wireless mobile also, waiting list should be created not only in one or two States, which was being done on an experimental basis for Bihar and Jharkhand but all over the country, they are being told to maintain a waiting list of mobile telephones. It has commercial implications. BSNL says that it is confidential and it can be used by private operators. Sir, the whole thing was considered necessary to put pressure on BSNL. The

point that you are making is that there are large areas where the demand for mobile telephone is totally unfulfilled because of the people's faith in BSNL."

122. In response to another query regarding the proposal of BSNL to bridge the gap of approximately Rs. 6000 crore in 2005-2006, it was stated that the gap between the anticipated outlay of Rs. 15081 Crores as against the outlay approved by the Planning Commission of Rs. 9696 Crores works out to Rs. 5385 Crores. BSNL hopes atleast to recover Rs. 1700 Crores as support from USO Fund. Also, reimbursement of license fee and spectrum charges may fill up part of the gap. Balance amount required for capital outlay in 2005-06 may be met partly through the additional support from the Government and from the market borrowings.

123. Asked to state the reasons for no provision of Budgetary Support to BSNL during the year 2005-2006, the DoT stated that in the plan proposals for the year 2005-06 received from BSNL, they did not ask for any budgetary support. Even though for the years 2003-04 and 2004-05, Budgetary support of Rs. 1 crore made to BSNL, they requested the Department of Telecommunications not to release the said amount on the ground that the terms and conditions attached to the budgetary support were cumbersome and involved high interest component. BSNL is to be compensated through Universal Service Obligation Fund during 2005-06 which is a non-plan expenditure and will not form part of the budgetary support.

124. As regards the exact amount required by BSNL in 2005-2006 including support from USF and reimbursement of licence fee and spectrum charges for carrying out the plan expenditure as per approved Internal and Extra Budgetary Resources (I&EBR) the following information was furnished to the Committee:—

(Amount of Rs. in Crores)

Sl. No.	Internal Resources	Reimbursement of licence fee and spectrum charges	Receipt from USO Fund	Borrowing	Total	Approved Plan Outlay by BSNL Board
1.	8051	3685	1700	1645	15081	15081

125. Asked to specify the Government support BSNL needed in execution of its activities, it was stated that BSNL was facing the following constraints which needed Govt. support and immediate redressal:

(a) Inadequate Govt. funding to economically unviable but socially desirable projects like providing Telecom infrastructure in rural areas.

(b) Inherited liabilities of erstwhile Department of Telecommunication like Leave Encashment, the burden of which needs to be entirely borne by the Government.

(c) Withdrawal of concessions under 80 IA of Income Tax Act which is applicable to other Telecom Infrastructure Companies.

(d) Inadequate compensation from USO Fund for un-remunerative/rural telephony putting undue pressure on operation.

(e) Dwindling revenues per line due to steeply falling long distance tariffs and tariff wars due to competition.

(f) Periodic reduction in Access Deficit Charges (ADC), even though BSNL is unable to charge cost based tariffs.

(g) Demand of Entry Tax by State Governments is an additional burden on BSNL.

126. The Committee were informed that the Government initially had agreed to give reliefs and benefits to BSNL which included License Fee and Spectrum Charges for providing rural telephony upto 2002-2003. Thereafter, these concessions were to be reviewed on a year to year basis after reviewing the budgetary provisions.

127. It was observed that, whereas, no provision was made in BE 2004-2005 for any such payment, Rs. 1994.85 crore has been provided for at RE stage 2004-2005 against an expenditure of Rs. 3318 crore. Again, the Budgetary provision for BE 2005-2006 is nil.

128. In the above context, the Committee desired to know the actual amount spent by BSNL in 2004-2005 towards rural telephony, which is to be reimbursed by the Government, the reasons for making a part adjustment of the reimbursement and the projected liability of

the Government on this account for 2005-2006. In reply, it was stated that in pursuance of NTP-99, Government decided to corporatise the service provision function of Department of Telecommunications and accordingly Bharat Sanchar Nigam Limited (BSNL) was set up w.e.f. 1st October, 2000 by corporatisation of Department of Telecom Service (DTS) and Department of Telecom Operation (DTO). Government has recently decided to reimburse BSNL an amount of Rs. 1994.85 crore towards reimbursement of Licence Fee and Spectrum Charges. This includes amount of Rs. 1408.9 crore which is 2/3rd of Rs. 2113.35 crore paid by BSNL towards Licence Fee and Spectrum Charges in the year 2004-05 and reimbursement of backlog of Rs. 585.95 crore pertaining to shortfall in reimbursement of Licence Fee and Spectrum Charges during the year 2001-02 to 2003-04.

129. It was further stated that the underlying principle for providing package of relief measure to BSNL was to ensure its financial viability on account of increased burden after corporatisation which coincided with the competition in the telecom sector. And on this basis, Government has been providing relief measures to BSNL after taking into account all the factors. For the year 2004-05 the Government after deliberation, have decided to reimburse 2/3rd of the Licence Fee and Spectrum Charges paid by BSNL.

130. Government while approving package of measures for BSNL for the year 2004-05 as referred above has also announced reimbursement of 1/3rd of Licence Fee and Spectrum Charges payable by BSNL in the year 2005-06, which shall be reimbursed in the next financial year i.e. 2005-06. Reimbursement to BSNL would be made on the basis of actual receipts on account of Licence Fee and Spectrum Charges from BSNL.

131. In evidence, the Secretary, DoT stated that the arrears from the previous year (to be paid to BSNL) was Rs. 585 crore plus the claim of the current year.

132. The Committee referred to their last year's Report on Demands for Grants wherein the Committee had recommended full reimbursement of the License Fee and Spectrum Charges to BSNL. In

that context, the Committee desired to be apprised of the progress made. The Secretary, DoT replied:—

> "Let me acknowledge that it was your Report which turned the tables in our favour because there was a very strong feeling that after three years, it should not be extended. The Cabinet referred it to the Committee of Secretaries headed by the Cabinet Secretary and in that meeting the recommendations of the Committee was read out. Then it was clarified that not only that the arrears must be paid, but the programmes must get extended........"

133. As regards the physical targets fixed for BSNL for the year 2004-2005 and achievement made thereon, the following information was furnished to the Committee:—

S.No	Items	Target	Units	Achievement upto 28.02.2005
1.	Switching Capacity	130	Lakh Lines	45.42
2.	DELs	100	Lakh Lines	43.61
3.	TAX	800	Kilo Circuit	437
4.	OF Cable	18000	Route Km.	12477
5.	VPT	5980	No.	6640

134. Asked to state the schemes in which shortfalls were anticipated by 31 March, 2005 and the reasons therefor, the Committee were informed that shortfalls were anticipated in achieving the target for DELs and Switching Capacity. The reasons for the same were as follows:—

> "In case of wireline, the gross achievement is 33.37 lakh during the year 2004-05. However, large scale disconnections in fixed line to the tune of 31.58 lakh till Feb. 2005 resulted in net achievement of merely 1.79 lakh connections till Feb. 2005. In order to arrest disconnections of fixed line connections, a number of initiatives have been taken by BSNL to improve its services and handle customer grievances apart from offering new value added services on land line such as fixed line Short Messeging Service (SMS), Calling Line Identification (CLI) etc."

135. Further, non-availability of Fixed Wireless Terminals (FWT) owing to court case in procurement of FWT equipment which is beyond the control of BSNL, will result in a dip in achievement of WLL connections to 7 lakh. The target of 70 lakh mobile connections was envisaged based on capacities of 10 lakh lines ordered in West Zone to ITI and minimum of around 30% of 110 lakh capacity network being rolled out in other three zones. There has been delay in execution of 10 lakh line order in West Zone due to interoperability issue with earlier equipment of Lucent. Similarly, for other zones also, where purchase orders were given in Sept-Oct. 2004, the realization of network capacities are expected by end of March, 2005. The uptake of subscriber therefore may get shifted in the next financial year. Till date, 35.92 lakh has been achieved and for want of additional capacities, target to an extent of only about 40 lakh may be achieved during the current financial year.

136. The Committee were also informed that the targets fixed for the year 2005-2006 were 75 lakh Direct Exchange Lines (DELs), 5800 Village Public Telephones (VPTs), 620 Kilo Circuits of Tax, 15000 Rkms of Optical Fibre Cables (OFC) and 100 lakh lines of Switching Capacity.

137. Asked to state the measures initiated by the Company to ensure optimal achievement of targets fixed for the year 2005-2006, the DoT stated that in order to reduce the procedural delay in procurement to the extent possible, a number of steps have been taken. Complete purchase procedure has been made available on website. Tender calendar both at Corporate & Circle level is prepared. Corporate & Circle level NITs are regularly posted on website. Advance action for procurement of Cellular Mobile Telecom Services (CMTS) equipment has been taken and CMTS equipment has been made available for the targeted capacity in 2005-06. For WLL equipment, the purchase order for 4.5 lakh Main Switching Centre (MSC) based equipment has been placed on ITI and tender for equipment capacity of 10.5 lakh is under evaluation. BSNL Headquarter is constantly monitoring the project implementation. The feedback is taken at regular interval so that timely intervention required for keeping the implementation process on track. Telecom Circles are also in turn taking similar steps.

(b) North-East Region and Tribal Sub-Plan

138. The Committee have been informed that North-East Region and Tribal areas are being treated as a special focus area in the Tenth

Plan. The erstwhile DTO/DTS provided a special attention to development of telecom facilities in these Regions and BSNL continues to provide special attention to those areas as well.

139. To a query, the Committee were informed that the main objectives of the Tribal Sub-Plan have been to provide telephone facility, practically on demand, in Tribal areas and to provide public telephones in all the tribal villages by March, 2005.

140. The details of target and achievement for the year 2004-05 in respect of North Eastern Region and Tribal Sub-Plan have been stated to be as follows:—

North Eastern Region

S.No	Items	Target for the year 2004-05	Cumulative Achievement from 1.4.2004 to 28.2.2005
1.	Switching Capacity (Lines)	506500	200066
2.	DELs (Nos.)	393000	226105
3.	OFC (RKms)	1000	294.11
4.	Satellite Stations	8	2

Tribal Sub-Plan (TSP)

S.No	Items	Target for the year 2004-05	Cumulative Achievement from 1.4.2004 to 28.2.2005
1.	Switching Capacity (Lines)	275752	129820
2.	DELs (Nos.)	282259	192990
3.	OFC (RKms)	2422	670.75
4.	Satellite Stations (Nos.)	7	1

(The information for achievement under TSP is available till 31.12.2004. Information is collected on quarterly basis from 19 telecom circles wherein tribal areas fall. The status of achievement till 28.02.2005 is being collected from the Circles)

141. Asked to state whether shortfalls were anticipated by the year end in any of the schemes and the reasons therefor, it was stated that some shortfalls were anticipated in the achievement of few parameters. Since the Tribal Sub-Plan and NE region plan were a part of the main plan, the reasons for anticipated shortfall in achievement of DELs and Switching capacity were the same as those mentioned for BSNL as a whole.

142. For OFC equipment, shortfall is anticipated owing to delay in supply of the terminal equipment in NE Region due to which commissioning is expected to start only after March, 2005.

143. The Committee were then informed that during 2005-2006, it was being planned to provide 3.49 lakh of Switching Capacity, 3.17 lakh of DELs, 3949 Rkms of OFC and 21 Satellite Stations. Similarly, the corresponding plan for the TSP areas for the same year has been 1.33 lakh lines of Switching Capacity, 1.27 lakh of DELs in addition to Cellular Mobile Services, 2106 Rkms of OFC, 429 Rkms of Microwave System, 4111 VPTs and 17 Satellite Earth Stations.

144. The Committee desired to know the measures contemplated to optimally achieve the above targets fixed for the year 2005-2006. In reply, the DoT stated that North Eastern region plan and tribal Sub-plan are part of main plans. As such the steps being taken for making available the equipment in time for the BSNL targets of 2005-06 are also applicable to these regions.

145. As regards the fund requirement for North-East Region and TSP areas, the Committee were apprised that fund requirement for North-East Region was likely to be Rs. 528 crore and that for TSP it was Rs. 255 crore.

146. In response to another specific query regarding availability of mobile services in North-East Region and Tribal areas it was stated that in North Eastern region as on 28.02.2005, more than 2.38 lakh mobile connections are working. With regards to tribal areas, it has been mentioned that BSNL is deploying its mobile network in all the highways, important towns, pilgrim centres and State highways in that order of priority, which gives incidental coverage to large part of rural and tribal areas.

(c) National Capital Region (NCR)

147. The following information explaining the achievement and plan of action on the part of BSNL in providing and improving the telephone facilities in the National Capital Region excluding Delhi was furnished to the Committee:—

"During the current fiscal till 28.02.2005, 40031 cellular mobile connections (BSNL does not operate in Faridabad, Gurgaon & Noida) & 10376 WLL connections have been provided. There has been a negative achievement in fixed line connections due to large scale surrenders. However, efforts are being made to arrest the same by proactive measures and manning of the Customer Service Centres (CSCs) by well trained personnel to understand the grievances of the subscribers and making them aware of the new schemes and value added services being offered by BSNL.

Plan of action:

(i) All NCR towns to be made "on demand".

(ii) Upgradation of Outdoor plant to provide fault free service.

(iii) Replacement of E-10B exchange with new technology exchanges through which all facilities can be extended.

(iv) Introduction of broadband services.

(v) Marketing efforts being done to make telephone facilities in NCR towns on par with Delhi."

(d) Outstanding Arrears

148. The following statement showing the circle-wise outstanding arrears of telephone bills as on 31 December, 2004 was furnished to the Committee:—

Outstanding Arrears of Telephone Bills (As on 31 December, 2004)

	Basic Services		Cellular Services		
Sl. No.	Name of the Unit	Amount (Rs. in crores)	Zone	Circle	Total 3 months old outstanding
1	2	3	4	5	6
1	A & N	7.64	EAST	A & N	0.57
2	A.P.	333.75		ASSAM	1.89

1	2	3	4	5	6
3	ASSAM	100.26		ORISSA	10.22
4	BIHAR	184.74		N.E. I & II	3.37
5	JHARKHAND	94.21		BIHAR	7.40
6	GUJARAT	167.99		CALCUTTA T.D.	1.73
7	HARYANA	96.61		JHARKHAND	8.32
8	H.P.	11.47		WEST BENGAL	6.96
9	J. & K.	53.01		ZONE TOTAL	40.46
10	KARNATAKA	143.41			
11	KERALA	18.23	WEST	MAHARASHTRA	85.13
12	M.P.	132.45		GUJARAT	51.31
13	CHHATTISGARH	34.45		MADHYA PRADESH	13.37
14	MAHARASHTRA	280.94		ZONE TOTAL	149.81
15	N.E. – I	50.83			
16	N.E. – II	217.73	NORTH	PUNJAB	29.59
17	ORISSA	73.27		HARYANA	7.85
18	PUNJAB	164.83		HIMACHAL PRADESH	3.28
19	RAJASTHAN	49.67		U.P. (EAST)	23.69
20	TAMIL NADU	97.41		U.P. (WEST)	19.83
21	U.P. (EAST)	371.62		RAJASTHAN	10.85
22	U.P. (WEST)	130.44		J & K	1.74
23	UTTRANCHAL	17.98		ZONE TOTAL	96.83
24	WEST BENGAL	92.29			
25	CALCUTTA	192.59	SOUTH-I	A.P.	37.60
26	CHENNAI	125.27		KARNATAKA	39.66
	Total	3243.09		ZONE TOTAL	77.26
			SOUTH-II	TAMIL NADU	9.75
				CHENNAI	10.13
				KERALA	12.25
				ZONE TOTAL	32.13
				GRAND TOTAL	396.49

149. Asked to state the measures taken by BSNL to recover the outstanding dues both in basic and cellular services, in reply the following information was furnished:-

"Measures taken by BSNL to recover the outstanding dues in Basic Services:

(a) Every year targets for liquidation of outstanding dues for different billing periods for each Circle/Metro District are fixed and reviewed regularly.

(b) Circles are addressed time and again to liquidate its dues from DDG Level, Director (Finance)'s level and CMD's level.

(c) Heads of Circles ensure that:

(i) As soon as phone is disconnected for non-payment of their telephone bills, after waiting for 3 months, the case is finalized. If outstanding can be adjusted against Deposit, it is adjusted & the balance deposit is refunded to the customer. If outstanding is more than the deposit; the balance outstanding amount after adjusting deposit is transferred to pursuit cell for recovery. Legal notice is given and case is pursued by Recovery Cell etc.

(ii) Instructions have been issued to the circles to hold meeting of liquidation boards and high power committee's on time and give suitable directions for recovery.

(iii) Filing of civil suits for recovery of outstanding dues.

(d) The State Governments were requested to amend land revenue act so that Telephone bill defaulter is treated as land revenue defaulters. The Kerala State has amended their Act.

(e) BSNL Headquarters has authorized Heads of Circles to appoint Private Recovery Agents etc. on commission basis to assist BSNL in recovery. State Governments have also been taken into confidence to assist BSNL in recovery of outstanding dues.

Measures taken by BSNL for reduction of Cellular Mobile Telephone Service outstanding dues:

(a) Circles are addressed periodically for prompt disconnection of Mobile Telephone as prescribed in the Manual. The Billing

Zones are asked to ensure the implementation of threshold limit to watch the high calling subscribers.

(b) The matter was taken up at highest level *i.e.* in the meeting of Board of Directors of BSNL held on 29th November 2004. As per the decision the targets are fixed to all Circles for reduction of outstanding by 15% of ABF by the end of March 2005. A d.o. letter from Director (Finance) has been issued for review of outstanding and timely disconnection.

(c) Instructions for enabling Auto disconnect facility have been issued.

(d) The procedure of verification of *bona-fide* of Mobile customers through Postal Officials is under consideration.

(e) Appointment of Private Recovery Agents on commission basis for Mobile outstanding is under examination".

150.Expressing its surprise over the fact that despite so many measures, the outstanding amount was alarmingly high, the Committee desired to know about other prudent measures being taken by BSNL to recover the dues. The CMD, BSNL replied:-

> "We have been taking measures and monitoring them. We have told all the CGMs about it. We have also empowered the CGMs to commission some agents to recover the dues. We are giving them commission. Only thing is that we took this decision last year itself. The implementation is not that pucca. We are trying to ensure in all the circles that they commission outside people so that they can recover old dues. We can give them some percentage. With that, we hope to do better in the next year".

(e) Quality of Services

151.The Committee desired to know about the action taken by BSNL in providing quality telephone services to its customers in all the segments i.e. fixed, limited and full mobile services. In reply, it was stated that in order to provide better telecommunication services to its customers, BSNL has taken a number of initiatives both in maintenance & customer dealings as enumerated below:-

(a) Forms for application for New Telephone Connection, Shift, and Temporary Telephones provision of Add-on-facilities have been simplified. These forms are available on the websites of respective circles.

(b) Customer Service Centres have been established at all important locations in the country with "Single Location Concept" to facilitate friendly interactions with the customers and to sort out all their telephone related problems and to meet their requirements in cordial atmosphere.

(c) It has been decided to print forms in all regional language also in addition to forms in Hindi and English.

(d) Automatic cheque collection machines have been installed at several places so that subscribers can pay the bills at any time as per their convenience. In addition other modes of Electronic payments through Automated Teller Machines (ATM), Electronic Clearance Scheme (ECS), Phone Banking, Internet Payments etc. are being introduced progressively.

(e) Instruction have been issued for holding periodical meetings at each SSA level with officers & staff to acquaint them of New Services, tariff plans & developmental activities.

(f) Connecting all exchanges on reliable digital media.

(g) Life of telephone instruments have been reduced from 10 years to 5 years.

(h) Replacement of under ground paper core cables by jelly field in phased manner.

(i) Creation of pole less network to reduce drop wire.

(j) Opening of more telephone exchange (RSUs/RLUs) thereby reducing exchange area size.

(k) Introduction of Wireless in Local Loop system, Digital Line Concentrators to eliminate Under Ground Cable.

(l) Provision of Pagers/ GSM Phones to line staff/field staff wherever feasible.

(m) Monitoring performance of telephone exchanges/media on daily basis.

(n) Conversion of SBM into RSUs.

(o) Conversion of C.DOT 256 Port exchanges into AN-RAXs (Access Network-Rural Automatic Exchanges) for centralized monitoring.

(p) Centralized fault booking at SDCC (Short Distance Charging Centre).

(ii) Mahanagar Telephone Nigam Limited (MTNL)

152. The Committee were provided the following statement showing the 2004-2005 BE and RE for MTNL:-

S.No.	*Particulars*	*BE (2004-05)*	*RE (2004-05)*
1.	Switching (Including TAX/Tandem) and Access lines (including CDMA/WLL Handsets, GSM) in existing and new areas.	1481	1562
2.	IT related Services	76	118
3.	E 10B Scrapping	200	Including in switching head
4.	International Long Distance Operations	0	50
5.	Expansion in New Services Areas Abroad and National acquisitions	400	125
	Total	**2157**	**1855**

153. The Committee desired to be apprised of the reasons for reduction in the 2004-2005 BE amount at the RE stage. In reply, it was stated that Budgeted Financial outlay (2004-05) of Rs. 2157 crore, included an amount of Rs. 400 crore, for expansion in New Service Areas Abroad and National Acquisitions. Due to limited opportunities available for said expansions/acquisitions, this was revised downward to Rs. 125 crore at RE (2004-05) stage.

154. As regards the anticipated expenditure during 2004-05 and reasons for less expenditure, if any, the following information was furnished to the Committee:-

Sl.No.	Particulars	R.E. (2004-05)	Anticipated Expenditure	Reasons for Less expenditure
1.	Switching (Including TAX/ Tandem) and Access lines (including CDMA/WLL Handsets, GSM) in existing and new areas & E 10B Scrapping.	1562	850	1. Non- completion of CDMA 800K project 2. CDMA Turminals non-procurement.
2.	IT related Services.	118	50	Non finalisation of tender for Convergent billing.
3.	International Long Distance Operations.	50	25	ILD licence could not be received.
4.	Expansion in New Services Areas Abroad and National acquisitions.	125	25	Limited opportunities available.
	Total	1855	950	

155. In reply to a specific query as to whether MTNL would be able to accomplish cent per cent financial targets by the end of the Plan period, it was stated that MTNL has already started the process for major expansion plans and addition of new technologies in the Network.. Major projects proposed for financial year 2005-06 include addition of 2 million GSM lines, 400K CDMA lines & 800 K Broadband, Convergent Billing, Next Generation Network plan (NGN) & CWDM. Plan financial outlay of Rs. 11955 Crs. for 10th plan period will be accomplished. Funds to achieve physical target (2005-06) are intended to be generated out of internal resources.

156. Referring to the documents provided to them, the Committee enquired about the reasons for decrease in the profit of MTNL. The Secretary, DoT stated that there would be a decline of Rs. 300 crore in the profit margin of MTNL and such reduction, according to the

Company, was due to the decline in the tariff rates because of competition and also due to reduction in ADC.

157. The Secretary, DoT further admitted that it was a matter of concern and the Department was interacting with the Company Management to arrest the factors responsible for decline in profits.

158. Asked to state whether introduction of broadband service would help MTNL in generating more revenue, the CMD, MTNL replied:

> "In fact, we have spent about Rs. 70 crore on our broadband equipment where we are going to give 3.5 lakh connections in Delhi and Mumbai and we are further going for a tender where again we will be going for one million lines. There is a great demand........... We feel that this will definitely help us in generating more (revenue)".

159. Regarding the physical targets fixed for MTNL during the year 2004-2005 and achievement made thereon, the following statement was furnished to the Committee:-

Sl. No.	Schemes	Target (2004-05)	Achievement as on 31.12.2004	Achievement as on 28.2.2005	Anticipated Achievement As on 31.3.2005	Anticipated % of achievement for 1st 3 years of 10th plan targets
1.	DELs(Including fixed line, WLL & Cellular mobile)	500K	23.813	184.430	284K	13.56%
2.	Net switching capacity (including fixed line, WLL & Cellular mobile)	920K	576.265	773.835	873K	49.07%
3.	Tax/Tandem	208K	53.040	58.040	60K	42.63%
4.	DLCs	470	261	293	325	29.14%

160. For the year 2005-2006 there has been a target of 8 lakh net new connections, 10 lakh net switching capacity, 64 K Lines TAX/ Tandem Capacity, 800 K Port DLCs/DSLAM and 18000 Rkms of OFC.

161. When asked to state the reasons for shortfalls in the achievement of target, it was informed that shortfall in net DELs was due to a shift of demand from fixed line to mobile service. MTNL's mobile service capacity was exhausted quickly due to cost effective service. The capacity has been expended by 0.8 million lines for GSM and is being expanded by 0.8 million lines for CDMA "Garuda" service. The net DELs have now started growing rapidly. From April 2004 to February 2005 MTNL has provided net 423509 Cellular phones and 85233 WLL connections.

162. It was also informed that targets for Tax/Tandem were fixed on the basis of requirement of BSNL also. But BSNL has installed its own Tax/Tandem. There is a shortfall in Tax/Tandem. The capacity of DLCs is deploying by using broadband DLCs and access nodes. MTNL has already installed 41520 approx. broadband DLCs.

163. It was supplemented that MTNL was planning to provide 2 million GSM, 400K CDMA, 800K Broadband 48K NGN and 17 nodes CWDM in the year 2005-06. MTNL is hopeful to achieve the targets for providing net switching capacity, Tax/Tandem and DLCs (Broadband) for tenth plan targets.

164. As regards, the outstanding arrears of Telephone Bills of MTNL as on 28 February, 2005, the following information was furnished to the Committee:-

MTNL outstanding Arrears of Telephone Bills

1.	Delhi	783.93
2.	Mumbai	439.84
	Total	1223.77

165. The CMD, MTNL elaborated in evidence that the arrears were over a period of time out of which Rs. 700 crore was more than a year old. For mobile services, the arrear was Rs. 112 crore. Out of that, Rs. 80 crore was more than two years old and at that time a lot of fraudulent bookings took place. For the last one year, the figure was about Rs. 32 crore out of which Rs. 15 crore was less than three months old. This amount was realisable.

166. The CMD further stated:-

"But we will have to make a provision in our books of accounts for an amount of Rs. 80 crore which is more than 2 years old. Once we are not able to recover the amount within 120 days, as per our accounting policy, we have to make provision in our books of accounts. So, this is one problem for which we have appointed agents. We give them 20 per cent commission, if they are able to recover the old dues. But, unfortunately, the success rate is not very high".

167. He added:-

"As far as the amount is concerned, I can tell you that Rs. 1,200 crore have accumulated over a period of 19 years. This is based on the turnover. If the total turnover of the last 19 years is taken into account, this is not a big amount in terms of percentage. This is in line with what the private sector is also writing off, whether it is Reliance, Bharati or any other Company. They are also losing money".

168. The Committee then pointed out that there must be some cases where the arrears might be due to wrong billing. The CMD, MTNL stated that in those cases where they found that some cases of cloning or some genuine things had taken place where the amount could not be realised from the customer, the outstanding amount was written off.

169. He added:—

"The problem is that when monopolised system was there, we have the power to disconnect the line and recover the amount. Since this sector has been opened up, the consumer is free to move to the other operators. The only precaution we are taking is that we are not allowing the amount to mount up. It is better to disconnect instead of allowing the amount to pile up".

170. Referring to a statement showing outstanding arrears of more than Rs. 25 lakh, the Committee pointed out that in some cases it was mentioned that files were missing. The CMD, MTNL stated that probably on the date when this information was to be furnished, the particular file was not available but that did not mean that they could not trace it out.

171. In this connection, when the Committee desired to hear the views of the Secretary, DoT, he submitted:—

"I would confess, we are wanting in this area".

172. Asked to state measures initiated to liquidate the arrears, it was replied that following measures were being initiated in that direction:—

(i) Setting of Targets for collection and monitoring of performance *vis-à-vis* targets on monthly basis.

(ii) Write off policy has been framed to review the old outstanding and write off irrecoverable amount to reduce the outstanding.

(iii) A policy to appoint agents to recover outstanding on outsourcing basis has been approved.

(iv) Reviewing billing cycle for reducing lead-time.

(v) Continuous monitoring and faster recovery mechanism.

(vi) Increasing payment option for customers.

(vii) Speedy disconnection in case of non-payments. Disconnections are being done on 35th day from the date of issue of bills.

(viii) After disconnection, adjustment of bills against deposits is done immediately.

(ix) Legal notices are issued through the system.

(x) Outstanding recovery module has been implemented.

(xi) Tender for work of recovery of outstanding has been floated.

173. With regard to the efforts made by MTNL to provide quality service to its customers in Delhi and Mumbai, the Committee were informed that to arrest the subscriber churn in fixed line network and to increase total customer base including fixed, WLL and Mobile, the following measures have been taken by MTNL:—

(i) The Capacity of GSM has been increased by 800K lines.

(ii) The capacity of CDMA WLL is being increased by 800K lines.

(iii) PCUT cable is being replaced by PIJF , Optical Fibre cable DLCs etc.

(iv) RSU, have been provided to reduce loop length.

(v) Broadband based on ADSL2+ was started on copper line. MTNL plans to provide the triple play services of high speed Internet, Video and voice on the same copper line using this technology. This is expected to fuel the growth of fixed lines.

(vi) E10B exchanges are being replaced by latest technology.

(vii) Commercial procedures have been simplified.

(viii) Sanchar Haat, customers service centers and call center is also available to provide best and adequate customer care.

174. The steps taken by MTNL to improve the service and to attract the subscribers are giving positive results. The net growth of telephone has become positive both in Delhi and Mumbai from October 2004. MTNL provided 81096 new DELs including GSM and WLL(CDMA) in month of January 2005 and 79521 in February 2005.

(iii) ITI Ltd.

175. The details of BE, RE and Actual Expenditure of ITI for the years 2002-2003, 2003-2004 and 2004-2005 was stated to be as under:—

(Rs. in crores)

YEAR	BE	RE	ACTUAL
2002-2003	73	71.73	31.72
2003-2004	202	70.00	10.86
2004-2005	120	120.00	22.40

176. In the above context, the Committee desired to know the reasons for low utilisation of the Plan Expenditure. In reply, the following information showing the targets, achievement and reasons

for reduced level of capital expenditure towards each of the schemes was furnished:—

(Rs. In Lakhs)

Sl.	Particulars	Provision 2004-05	Expenditure upto December 2004	Reasons for reduced level/non expenditure
1	2	3	4	5
I.	CONTINUING SCHEMES	720.93	17.38	Expenditure restricted due to financial constraints.
II.	NEW SCHEMES			
1.	GSM Manufacturing	2051.00	1881.58	-
2.	Upgradation of SMT Line	600.00	0.00	Expenditure deferred due to paucity of funds.
3.	Manufacture of New Processor Boards	1100.00	279.74	Expenditure deferred due to fall in demand.
4.	FWT	200.00	0.00	Technology partner under review.
5.	CDMA Manufacturing	800.00	13.36	Govt. approval for transfer of technology agreement is under consideration.
6.	Smart Card Project	500.00	0.00	Commitment made. Expenditure during IV quarter.
7.	VRLA Battery Phase-III	200.00	0.00	Due to fall in prices, investments on Phase III implementation deferred.
8.	Upgradation of PCB Plant	232.73	35.44	Expenditure deferred due to paucity of funds.
9.	DLC SDH	100.00	0.00	Deferred due to market consideration.
10.	Rural Network Solutions	100.00	0.00	No orders available. Expenditure deferred.

1	2	3	4	5
11.	New Generation STMs	150.00	0.00	Deferred due to market consideration.
12.	ADSL Project	200.00	0.00	No demand/ orders.
13.	IP TAX/SSTP	1000.00	0.00	Govt. approval for transfer of technology agreement is under process. The case received in December 2004.
14.	Antenna Manufacturing	200.00	0.00	No orders on ITI.
15.	CDMA Handset	300.00	0.00	Investment deferred due to market consideration.
16.	BSNL – ITI VSAT Project	840.90	0.00	Orders received during December, 2004. Expenditure expected during IV Quarter.
17.	ASCON Phase III	183.10	0.06	Expenditure expected during IV Quarter.
18.	Others (Digital Cross Connect, PDA, Set Top Box, MLLN, VRLA Phase II, Repair Centre for OCB etc.)	334.77	0.00	Expenditure deferred due to market consideration.
19.	Projects to be identified	1000.00	0.00	Company yet to identify.
20.	Contract Manufacturing	700.00	0.00	Partially committed. Expenditure during IV quarter.
III.	R&D	448.33	13.19	Expenditure restricted due to financial constraints.
	TOTAL	11961.76	2240.75	

177. It was categorically stated that Rs. 50 crore have been provided to the Company in the revival plan sanctioned by the Government.

Rs. 50 crore for capital expenditure has actually been released at the fag end of the financial year. Due to this the Company has not been able to utilise the full money during this year.

178. Further Rs. 508 crore has been released to the Company on 23rd December, 2004 as a part of revival package as below:—

Reimbursement of VRS amount spent upto 2003-04	—	Rs. 338 crore
VRS requirement for the year 2004-05	—	Rs. 120 crore
Capital Expenditure requirement during 2004-05	—	Rs. 50 crore

179. Rs. 200 crore against Equity Infusion and Rs. 93.10 crore against PF dues is likely to be released by March, 2005.

180. From the documents furnished to the Committee it was observed that during the year 2003-2004 the Company could get orders for switching equipment for Rs. 118.72 crore against the Company Plan of Rs. 221 crore. In Transmission Equipment the order availability was Rs. 71.57 crore against a plan of Rs. 150 crore. In GSM and CDMA there were nil order against a plan of Rs. 557 crore. The Company incurred a loss of Rs. 706 crore in 2003-2004. In that context, the Committee enquired about the order position of the Company in 2004-2005 and the losses incurred, if any, during the year. The Committee were informed that during the year 2004-2005, the Company got orders for Switching equipment for Rs. 230 crore against the Company Plan of Rs. 140 crore, whereas for Transmission equipment, the order received was Rs. 110 crore against a plan of Rs. 166crore. In GSM and CDMA, the Company got Rs. 542 crore orders against the plan of Rs. 1124 crore.

181. The Company, upto December, 2004, has achieved a turn over of Rs. 985 crore (including ED) and incurred a loss of Rs. 358 crore (provisional). As on 28.2.2005, the Company has executed orders worth Rs. 1109 crore and has orders in hand for execution of Rs. 918 crore.

182. As regards the order book position and the anticipated Revenue generation during 2005-2006, the following information was furnished:—

(Figures in Rs. Crores)

Sl. No.	Product details	Order book position	Orders Executed	Anticipated Revenue generation during 2005-2006
1.	GSM Infrastructure	320.00	320.00	981.00
2.	CDMA Infrastructure	199.00	109.00	270.00
3.	IP TAX/SSTP	Nil	Nil	150.00
4.	SIM Cards	39.00	16.00	70.00

183. Asked to specify the preparedness of the Company to optimally achieve both the financial and physical targets, it was stated that keeping in view the market requirement, ITI has drawn the capital investment plan for the next four years. Accordingly, the Company has planned to induct new technologies as well as to upgrade infrastructure. The major investments will go towards GSM Products including expansion and capacity, CDMA manufacturer, New Generation TAX equipment, entering into broad band service and rural network. The infrastructure would also be utilised to supply equipment for outsourced vendors.

184. In evidence, CMD, ITI in response to a specific query replied that the shortfalls on the part of the Company were due to two main reasons i.e. fallen prices and delay in supply of equipment.

185. The Committee then desired to know about the percentage of capacity utilisation of the Company and strategy chalked out for optimal such utilisation. The CMD, ITI stated that the present capacity utilisation would be hardly 40 per cent or so. But it would grow to 70 per cent next year.

186. Expressing their concern over the vast manpower, the Committee asked about the measures initiated to redeploy them. The CMD, ITI replied:—

> "That is the reason that the towers and shelter types of activities that I have initiated at Rai Bareli Plant which will employ a lot of people".

187. Asked to state categorically whether manpower from Bangalore, for example, could be redeployed in Rai Bareli, the CMD, ITI stated:—

> "All of them can not be redeployed".

(iv) Telecommunications Consultants India Ltd. (TCIL)

188. Telecommunications Consultants India Ltd. (TCIL), a Company wholly owned by the Government of India with the objective of extending the wide ranging telecom expertise available with DoT to friendly developing countries commenced business on August 1, 1978. The Committee are informed that TCIL secures business by participating in international and national competitive bidding.

189. In their Annual Report 2004-2005 the Department has stated that the Company was incorporated in 1978 with a paid-up capital of Rs. 10 lakh which today stands at Rs. 28.80 crore. The net worth of the Company as on March 31, 2004 is Rs. 410.11 crore. Some of the major orders booked in the year 2003-2004 were with Bhutan, Saudi Arabia, Myanmar, Nepal, Afghanistan etc. The Company has worked in 55 countries so far, with export turnover of 71.25% of the total turnover of TCIL.

190. Replying to a query on the reason why TCIL has digressed into building roads, the Secretary, DoT said:—

> "Sir, actually the main function still remains telecom and it is just that in one of the highway contracts they thought that that possibility is there and also they wanted to link it up in Afghanistan. But, Sir, in overall turnover of about Rs. 750 crore, it will not be more than Rs. 5 crore. Today, in fact, TCIL which is the external arm of the Department of Telecom, is doing very well. They have just received one credit. Our hon. President had gone to Africa and he had announced Pan-African network. That

contract has been given to TCIL. They are going to do that in African. They have just won a contract of World Bank in Afghanistan. That is being signed. They are already there in Mauritius. The Cyber City is going to be inaugurated by our hon. Prime Minister. They were responsible for that. They have got contract in Myanmar. They have got licence in Nepal. Overall, the focus has not changed and the focus still remains the same. It is telecom and telecom outside India not so much within. Of course, they are very keen to do some annual maintenance job for MTNL and BSNL particularly for the wired line.

But, Sir, let me assure you that TCIL is on a right track. As on today they have a very thin staff. They do not have lot of permanent staff. They take people on a need-base on deputation from the DoT, BSNL or MTNL and they go back after the project is completed. That way also they are not saddled with huge expenditure on that. Comparatively, I want to assure that it is a very nifty organisation."

G. OTHER ISSUES

(i) Reimbursement to Department of Posts

191. While examining the Demands for Grants (2005-2006) pertaining to the Department of Posts, the Committee were informed that the Department of Telecommunications owed an amount of Rs. 100 crore towards telegraph services rendered to it by the Department of Posts.

192. Elaborating the point in evidence, the Secretary, Department of Posts apprised the Committee that the dispute on that front was going on for a decade and therefore the matter might go to the Committee of Secretaries. He categorically stated that if Rs. 100 crore was reimbursed to the Department of Posts, that would definitely bring down their deficit.

(ii) Cold calls

193. The Committee's attention was drawn towards the unwanted calls on mobile telephones which were posing a threat to the privacy of the citizens and violating the fundamental right to live a peaceful life. In this context, it was also reported that the Supreme Court issued notices to the Centre, all Cellular operators and multinational banks on a Public Interest Litigation (PIL) seeking a law to ban unsolicited calls on mobile phones.

PART II

RECOMMENDATIONS/OBSERVATIONS

Unified Access Service Licence (UASL) and Unified Licence (UL)

1. The Committee observe that in order to ensure rapid expansion of tele-density commensurate with the central objectives of NTP-99 and due to unprecedented expansion of telecom services, steep reductions in tariffs as well as cost of telecom services, advancement of technology etc., the Government, in public interest in general and consumer interest in particular, decided to introduce Unified Access Service Licence (UASL) and Unified Licence (UL). The Committee are informed that the UASL which envisages wireline and wireless services under the same licence and in turn intends to help the licensee to optimise resource utilisation for faster expansion of the network was introduced on 11 November, 2003. The UL which envisages provision of National Long Distance (NLD), International Long Distance (INLD), Internet Services apart from basic and cellular services has not yet been introduced, although recommendations for introduction of such licence have already been received from TRAI. The Committee find that as the entry fee for UASL has been made at par with that of the fourth Cellular Licensee, the roll out obligations in terms of coverage of rural areas has ceased to exist because the Cellular Licence does not envisage roll out obligations in rural areas. Simultaneously, the Committee observe that as the urban areas are getting saturated, most of the service providers are shifting their focus to rural areas as is evident from the increased level of participation by Private Service Providers in the Tenders floated by USO Fund for Rural Community Phones (RCPs). The Committee further find that on 30 September, 2004 Agreements were signed with BSNL and Reliance Infocom Ltd., for provision of RCPs in 46,253 villages out of which BSNL's share is 24,794 and that of RIL is 21,459. However, for 1,917 RCPs installed during the quarter ending 31 December, 2004 claims have been received from BSNL only.

2. The Committee recognise the contribution of the Private Operators in increasing the tele-density of the country, particularly in urban areas. They also feel that the Private operators could have played a more active role in increasing the coverage in rural areas.

The Committee would like to remind the Department that when UASL was not in existence, there was a roll out obligation for the Private Operators to cover the rural areas. The Private operators did not honour the contractual obligations and their performance in the rural areas was dismal. This had been highlighted by this Committee in their past several Reports. Now, consequent upon the private operators' migration to UASL, coverage of rural areas is optional. In order to avoid recurrence of inaction on the part of Private operators so far as rural telephony is concerned, the Committee would like the Department to take adequate measures to ensure that the Private operators provide the RCPs/PTICs in accordance with their contractual obligation. The Department should take stringent measures in case of any violation of that obligation.

3. The Committee further desire that the Unified Licence (UL) which intends to provide all the telecommunications services under one umbrella may be introduced, as also recommended by TRAI, for the benefit of the subscribers as well as the service providers.

4. The Committee note that there is a proposal to upgrade any public telephone in all the villages with a population of more than 2000. It will be taken up based on the experience of the Pilot Project which intends to cover only 2000 villages at the first instance. The Committee feel that it is a step in the right direction to provide quality service in rural areas and also recommend that alongwith upgradation of the Public Telephone, their upkeep and proper maintenance should also be given top priority.

Universal Service Obligation (USO)

5. The Committee note that pursuant to the Guidelines under NTP-99, the Universal Service Support Policy (USSP) came into effect from 1st April, 2002 and Universal Service Obligation Fund (USOF) was established on 1st June, 2002. The Committee are happy to note that the USO Fund in India is one of the largest and most active funds in the world. In this context, the Committee find that a sum of Rs. 1653.61 crore was collected under USF during the year 2002-2003. Similarly, during the years 2003-2004 and 2004-2005, Rs. 2143.22 crore and Rs. 2899.50 crore respectively were collected from the Service Providers. The collections for the year 2005-2006 are anticipated at Rs. 3034.00 crore. Funds likely to be collected as Universal Service Levy (USL) over the Tenth Plan period are

estimated at Rs. 13,000 crore. The Committee observe that the allocations to USF in all these years have not been commensurate with the collection of funds. For example in the years 2002-2003, 2003-2004 and 2004-2005 the allocations have been Rs. 300 crore, Rs. 200 crore and Rs. 1200 crore respectively against the collection of much higher amounts as mentioned above. Similarly, during the year 2005-2006, although the anticipated collections are Rs. 3034.00 crore and the requirement is Rs. 5000 crore, a sum of Rs. 1200 crore only has been provided. Thus, the overall arrears from the accrual is Rs. 6,830.33 crore. The Committee have been informed that the USO Fund has been giving support to operation and maintenance of existing VPTs, replacement of MARR based VPTs etc. but, from next year, the Fund is also going to support roll out of new lines in the rural areas. It has, therefore, become critical that if timely release of funds is not made to USOF, the service providers who have shown keen interest to roll out new lines in rural areas, will lose enthusiasm to do so.

6. Keeping in view the above stated position and the fact that all the allocations made to the Fund since 2002-2003 have been adequately and fully utilised, the Committee recommend that the DoT should take up the matter of timely release of funds to USOF at the appropriate forum. This would in turn help provision of adequate and quality telecom services in the rural areas.

7. The Committee also desire that options may be explored to see that funds collected as US levy are directly transferred to USO Fund as both the functions are performed under the same Department. Consequentially, it will help in effective and timely utilisation of funds.

Mobile telephony in rural areas from USOF

8. The Committee are given to understand that there has been a feeling of deprivation in the rural areas so far as mobile telephony is concerned for which an active debate is going on in the Department to fund mobile telephony from USOF. In this context, the Administrator, USOF has mooted a proposal wherein the lowest bidder will get the tower and get reimbursement of the cost of tower from the USF. Those who will share the Tower later, will get it practically at no cost. The Committee impress upon the Department to examine the issue in the right earnest and may consider the disbursement of USO fund to those operators who choose to meet the USO through mobile telephony.

9. The Committee note that in order to ensure proper quality of service and maintenance of various records, conditions exist in the Agreements made with the Universal Service Providers (USPs) which provide for deductions in subsidies, if the facility is non-functional on account of faults or disconnected for non-payment or does not record any calls over a specified period. The Committee also note that the Disbursing Officers and staff from USF Headquarters have been authorised to verify and physically inspect the facilities provided by the USPs. As the prime concern is to ensure that funds disbursed towards provision of services covered under USO are effectively utilised for the specific purposes for which they are meant and services are available to the users as intended, the Committee desire that there should not be any let up in enforcing the abovementioned measures for the benefit of rural areas.

Access Deficit Charges (ADC)

10. The Committee have been informed that under the Interconnection Usage Charges (IUC) regime, the rate of Access Deficit Charge has been revised downwards with effect from 1st February, 2005. Against this revised regime, MTNL has filed a petition in the TDSAT, although the main focus of the ADC regime has been BSNL. According to BSNL, the ADC amount to be paid to it by other operators, will be reduced by Rs. 1254 crore per year as a repercussion of the revised regime. But according to TRAI, the amount of ADC to be provided to BSNL has been estimated to be around Rs. 4,954 crore a year which is comparable with the previous ADC estimation of Rs. 4,792 crore. MTNL has also stated that it will lose the ADC amount by Rs. 570 crore including Rs. 276 crore as direct ADC. In this context, the Committee feel that there are glaring mismatches in the estimations of TRAI and that of BSNL with regard to the impact of the revised ADC regime. Therefore, it needs to be reconciled.

11. Another concern of the Committee is that there is a possibility of BSNL and MTNL having to pass on the burden of anticipated decrease in ADC to their consumers in terms of increase in rentals or decrease in the pulse rate etc. On the other hand, the other operators who have been paying ADC to BSNL/MTNL may pass on the benefit of the revised regime to their subscribers which in turn may result in loss of subscribers to BSNL/MTNL.

12. Nevertheless, the Department has to look into all these aspects in consultation with TRAI which proposes to review the regime within six months of implementation. The Committee desire that they may be apprised of the decision of TDSAT in the petition filed by MTNL against the revised IUC regime.

Merger of BSNL and MTNL

13. The Committee observe that a consortium of consultants has been appointed to assist the Government in the restructuring of BSNL and MTNL. Upon the examination of the Report of the consultants by an internal Committee of the Department, three viable options for further examination have been arrived at. One is BSNL acquiring Government share of MTNL and then going for Initial Public Offer (IPO) route; the second is the formation of a Holding Company with BSNL and MTNL as part of that with certain common branding, similar tariff, same strategy; and the third is that BSNL and MTNL have been given 15 days time to suggest any amendment to the first two options. The Committee find that both BSNL and MTNL prefer having a national footprint and synergy in their operations. However, complexities in the nature of salary and wage disparity, pension disparity and stamp duty obligations are there. Therefore, the issue is still under examination and a concrete picture would emerge in about three months time. In the opinion of the Committee, the issues involved need a careful examination as the basic objective is to bring about synergy between the two Companies, improve their competitive position and enhance value for all the stakeholders and protect their interests.

14. The Committee feel that irrespective of whether merger takes place or not, the focus and concentration of both BSNL and MTNL should be on synergy between both the organisations, and, as far as the consumer is concerned, the operation should be seamless and efficient. In the eventuality of a merger, the Committee feel that care should be taken to ensure that the value of the unified entity remains high.

Telecom Engineering Centre (TEC)

15. The TEC plays a very vital and basic function of ensuring the quality and performance of products offered by multiple suppliers to DoT. In order to ensure that the quality of services offered by

BSNL and MTNL remain high, the engineering capabilities of TEC have to be substantially strengthened.

16. The Committee observe that the Plan BE 2004-2005 provided TEC a sum of Rs. 4.00 crore, which was reduced to Rs. 2.98 crore at the RE stage. The Actual expenditure upto 28 February, 2005 has been Rs. 36.27 lakh only. The reasons given by the Department for such under-utilisation are (a) a sum of Rs. 1.20 crore was surrendered as the payment for building in Kolkata was not expected during 2004-2005 fiscal; (b) Rs. 98.54 lakh was surrendered due to non-receipt of bills from DGS&D against computer supplies and savings under the Government of India component of World Bank TA Project. Thus, TEC was left to spend Rs. 79.46 lakh only during 2004-2005. The Committee find that TEC has been able to spend only Rs. 36.27 lakhs out of the balance of Rs. 79.46 lakh during 2004-2005 and therefore, they have been unable to achieve the physical targets set for the year. One of the reasons for the shortfall in achievement of physical targets is stated to be 'realisation at a later stage that few standards were yet to be frozen by International Standard Bodies'. Although some unforeseen circumstances may cause savings, yet the Committee are of the view that savings in any form tantamount to non-utilisation of budget provisions and therefore the schemes suffer. 'Realisation at a later stage' is definitely one of the shortcomings in budgeting process.

17. The Committee observe with great concern that the physical targets for the Annual Plan 2005-2006 have not been set for TEC as late as March, 2005 whereas a provision of Rs. 1.13 crore has been budgeted for the year. Allocation of funds without a target is also, in the opinion of the Committee, bad budgeting and may lead to savings at the end of the financial year 2005-2006. The Committee stress that the Department should expedite fixation of targets so that TEC, which has been engaged in important activities like providing Engineering and technical support to DoT, promoting standards, validating and testing of the products, equipment, system, services etc. is able to fruitfully utilise the earmarked amount.

Wireless Planning and Coordination Wing (WPC)

18. The Committee recognise that the WPC plays a very critical role in optimising the utilisation of a scarce and valuable resource *i.e.* the Spectrum. The role of WPC is vital because as technologies

evolved, there will be increasing pressure towards the efficient usage of bandwidth caused due to demand for multiple services and with multiple service providers. The Committee recommend that the WPC gear itself well for the future.

19. The Committee note that during the years 2002-2003 to 2004-2005 a sum of Rs. 163.62 crore was allotted to WPC at the RE stage for implementation of the Project 'National Radio Spectrum Management and Monitoring'. Out of this amount the World Bank component during the above years was Rs. 110.18 crore. But as against the allocation of Rs. 163.62 crore, the actual expenditure has been Rs. 113.54 crore only. The year-wise percentage of expenditure is 42.02, 89.67 and 15.80 respectively. The Committee have been informed that the low utilisation of funds have been due to non-completion of the job in time by the contractors in addition to the complex nature of the Project which required two stage bidding process, protracted negotiations etc. Further, some issues namely performance of V/UHG mobile monitoring system, design of SHF mobile monitoring system and Fixed Satellite Monitoring Facility are still unresolved. The Committee observe that liquidated damages are proposed to be imposed upon the defaulting contractors as per the contract procedure. The Department is also in the process of finalising the unresolved issues.

20. The Committee understand that all precautions have to be taken to ensure the success of a highly complex and unique project. It is, therefore, imperative that the Department resolves the critical issues at the earliest so as to enable WPC to complete the Project by the end of the 2005-2006 fiscal, as assured. The Committee also feel that penalty in the form of liquidated damages, as proposed to be imposed upon the defaulting contractors, is a prudent measure.

Wireless Monitoring Organisation (WMO)

21. In a world of evolving telecom capabilities, beating the system is not posing a real challenge as is evident by the number of operators in the gray market. The WMO's role is crucial in checking and stopping this menace which is detrimental to the revenue generation for the country. The Committee recommend that the WMO fine tune its monitoring capabilities and stringent measure be taken against offenders.

22. The Committee note that the total outlay for the Tenth Five Year Plan (2002-2007) for WMO has been Rs. 49.45 crore. This was to enable WMO to carry out the continuing schemes as well as undertake new ones. But so far, the percentage of utilisation is approx. 22 per cent. The Committee observe that the budgetary allocation to WMO in BE 2004-2005 was Rs. 14.27 crore, which was reduced to Rs. 10.87 crore in RE 2004-2005 due to non-commencement of constructional works because of delay in acquiring the land for setting up of permanent Wireless Monitoring Stations as well as non-implementation of certain Technical Schemes requiring reassessment, after implementation of the ongoing Modernisation Project. The Committee would like to point out that in reply to their last year's Report on Demands for Grants, the Department had assured that land for which budget was provided in the fiscal 2004-2005, had already been identified and all the existing procedures for land acquisition were being followed scrupulously. But, incidentally the Committee find that this year also land at some places is still to be identified and construction work is yet to commence wherever land has already been acquired in 2004-2005. However, now that again an assurance has been given, the Committee believe that land identification process, wherever required, and construction work on the plots of land already acquired will be expedited so that Rs. 18.77 crore, as earmarked for the year 2005-2006, is optimally utilised.

Telecom Regulatory Authority of India (TRAI)

23. The Committee are of the opinion that TRAI is not entirely fulfilling the responsibility of an effective Regulator in an environment in which varied communication needs of a strengthening economy are being fulfilled rapidly. Keeping in view that the institution of a strong and independent regulator is a necessity to ensure seamless and efficient service to users in a multiple operators environment, TRAI needs to be strengthened adequately for it to play an effective and a forceful role.

24. The Committee find that an amount of Rs. 3.50 crore has been proposed during the year 2005-2006 for TRAI for a new Project titled 'Institutional Capacity Building'. The said Project has been proposed for conducting consultative studies on regulatory issues by engaging international consultants/consultancy firms of repute and to fulfil the training needs of TRAI officials. The Committee find

that such consultative studies *inter-alia* include expansion of rural telephone network, expansion of Cellular Infrastructure in rural areas, tariff issues in the converged services scenario etc. The Committee are also pleased to note that the training needs of the officials of TRAI have been identified for gainful utilisation of the funds allocated. In view of the regulation work assigned to the Authority both in telecom and broadcasting sectors, the Committee are of the opinion that interaction with international consultants and exposure to international trends in the fast changing telecom scenario is extremely essential. Conducting studies, engaging consultants and imparting training to the officials in TRAI is also of utmost importance. The Committee hope that the Regulatory Authority will optimally utilise the earmarked fund in such studies, consultancies and training programmes to help strengthen its institutional capacities/capabilities.

Telecom Disputes Settlement and Appellate Tribunal (TDSAT)

25. TDSAT has to play its role as an adjudicator of telecom disputes efficiently and effectively to fulfil its responsibilities in the nation's economic progress. It is inevitable that there will be increasing issues in a multiple operator and evolving licence environment which the nation is experiencing as multiple services unfold. There are bound to be contentious issues regarding licensing, tariffs, inter-connectivity etc. which have to be dispensed with efficiently in the interest of the nation's economic march. In helping TDSAT meet its responsibilities TDSAT's resource base and library have to be augmented and modernised towards which TDSAT should utilise its resources.

26. The Committee note that 2004-2005 BE provided a sum of Rs. 60 lakh to TDSAT which was increased to Rs. 70 lakh at the RE stage. Out of the allocated amount, Rs. 10 lakh was surrendered due to non-extension of the World Bank Project. The tribunal is expecting to spend Rs. 60 lakh during 2004-2005. The 2005-2006 BE provides for Rs. 1crore towards plan expenditure. Last year, the Committee were informed that there was a shortfall of Rs. 24 lakh towards plan expenditure in 2003-2004 fiscal. However, this year an assurance has been given to the Committee that action will be taken to strictly comply with an advance schedule prepared with regard to the utilisation of fund for training and other aspects relating to HRD in order to fully utilise the amount of Rs. 50 lakh sanctioned in BE 2005-2006 on this account. The Committee believe that measures will be taken accordingly to gainfully utilise the fund.

27. The Committee also desire that the balance Rs. 50 lakh, as earmarked during 2005-2006, is utilised optimally towards upgradation of Reference Library, Holding of Seminars etc. so that better awareness about the regulatory and adjudicatory processes of TDSAT amongst the stakeholders and discussion on issues relevant to dispute settlement in the field of telecommunications is generated.

Centre for Development of Telematics (C-DOT)

28. The Committee observe that the total outlay for the Tenth Plan period for C-DOT has been Rs. 838.00 crore, but the actual expenditure during the first three years of the Plan period has been Rs. 291.78 crore. The Committee have been informed that C-DOT will be able to spend approx. Rs. 280 crore in the balance of the two years of the Tenth Plan period. The Committee have further been informed that the low level of expenditure is attributed to fine tuning of the outlays necessitated due to very fast change and complete paradigm shift in the technology scenario, market requirements, the type of products as well as the modality of working. They have also been informed that C-DOT has prepared a definite road map for both short term and long term strategies to ensure that there is no shortfall in the plan expenditure of Rs. 131.00 crore earmarked for 2005-2006. The Committee hope that with re-prioritisation, refocussing and fine tuning of important schemes according to the national and market requirements there would be no delay by C-DOT in the achievement of targets in the important schemes.

29. The Committee note that C-DOT has not been able to meet the internal revenue generation target during the last three financial years. However, the year 2004-2005 has shown marked improvement. Out of a target of Rs. 40 crore, C-DOT has been able to achieve Rs. 35 crore because C-DOT has realigned itself according to the new needs. The Committee feel that such realignment in the fast changing telecom scenario is inevitable and recommend that C-DOT should continue with it. The Committee also feel that the focus should be more on wireless, broadband, value added services and software intensive products, which would certainly help C-DOT generating more revenue.

Bharat Sanchar Nigam Limited (BSNL)

30. The Committee observe that for BSNL the 2003-2004 and 2004-2005 BE provided a sum of Rs. 12,285 crore and Rs. 8,809 crore (excluding USO and Spectrum Charges) respectively. At the RE stage, the approved amount was correspondingly reduced to Rs. 10,608 crore and Rs. 6,636 crore. For the year 2005-2006, an outlay of Rs. 15,081 crore has been proposed whereas a sum of Rs. 9,696 crore has been approved. In this context, the Committee find that for the years

2004-2005 and 2005-2006, the BSNL outlays did not include the reimbursement of License Fee, Spectrum Charges and USO support under plan head as the same was provided by the Ministry of Finance under non-plan head. Nevertheless, the Committee are informed that the reason for reduction in outlays has been the inadequate/non-provision of reimbursement of License Fee and Spectrum Charges to BSNL and also lower provision under USO Fund as against the requirement. The Committee also observe that the Government have recently decided to reimburse BSNL an amount of Rs. 1,994.85 crore towards reimbursement of License Fee and Spectrum Charges. This includes an amount of Rs. 1,408 crore which is 2/3rd of Rs. 2,113.35 crore paid by BSNL towards License Fee and Spectrum Charges in the year 2004-2005 and reimbursement of backlog of Rs. 589.95 crore pertaining to shortfall in reimbursement of License Fee and Spectrum Charges during the years 2001-2002 to 2003-2004. The Government have also announced reimbursement of 1/3rd of License Fee and Spectrum Charges payable by BSNL in the year 2005-2006. The Committee further observe that for the year 2005-2006 the gap between the proposed outlay and the approved outlay for BSNL works out to Rs. 5,385 crore. BSNL hopes to recover at least Rs. 1,700 crore as support from USO Fund. And even if Rs. 1,994.85 crore, as announced by the Government towards reimbursement of License Fee and Spectrum Charges including arrears is given to BSNL, there will still be a gap of Rs. 1,690.15 crore for the Company to carry out its plan expenditure during the year. However, if the Government do not reimburse the projected amount in full during this year, the gap will be much wider. The Committee, therefore, urge the Government to reimburse the projected amount in full during this year.

31. In view of the fact that the underlying principle for providing package of relief measures to BSNL has been to ensure its financial viability on account of increased burden due to rural telephony and corporatisation coinciding with competition in the telecom sector, the Committee impress upon the Government to reimburse the License Fee and Spectrum Charges including arrears at the earliest besides looking into the other liabilities thrust upon the Company after its corporatisation. The Committee desire that the Company, on its part, should put its act together and gear itself up to stand on its own and face competition and challenges because sooner than later, all the Government patronage being extended to it may be neutralised.

32. The Committee are surprised to note that there has been under utilisation of funds by BSNL during the last two/three years due to poor estimation of the demand and supply position by the Company. The Committee are concerned that the Company could

not foresee the demand for 15 million mobile lines and therefore they were not prepared for such a huge procurement. The Committee have always been emphatic that the preparedness to meet the current demand should always compliment the exponential demand, be it fixed line or mobile services.

33. BSNL has the unique advantage of its extreme base of subscribers and its first mover advantage with its broadband services to the nation. BSNL should therefore strive to improve the quality and increase the reach of its broadband due to its extensive cable network. The Company should also consciously strive to offer its broadband through Optical Fibre Cables where there is affordability and business potential. The Committee feel that the credibility enjoyed by BSNL should be effectively leveraged for furthering its reach and expansion of all its services.

34. To say that BSNL has failed to foresee the growing demand for its mobile services and that too when the real growth in the last two/three years has been in mobile telephones, would be an understatement. The Secretary, DoT has rightly pointed out in evidence that BSNL can immediately increase its mobile connections by ten million lines as there is a huge demand for BSNL mobile connection in the entire rural areas and cities also. In view of the above, the Committee strongly recommend that BSNL should take all prudent measures to cater to the demand of the people and affirm the faith, expectation and goodwill reposed in it. The Department, on its part, should take care to avoid the procedural delays, so that such delays do not come in the way of BSNL's roll out plan.

35. The Committee note that for the year 2004-2005, a target for 130 lakh lines of Switching Capacity, 100 lakh Direct Exchange Lines (DELs), 800 Kilo Circuit of TAX capacity, 18000 Route Kms of Optical Fibre and 5980 nos. of Village Public Telephones (VPTs) was fixed for BSNL whereas the achievement as on 28 February, 2005 has been 45.42 lakh lines of Switching Capacity, 43.61 lakh Direct Exchange Lines (DELs), 437 Kilo Circuit of TAX, 12,477 Kms of Optical Fibre Cable and 6640 VPTs. The Committee are informed that by the year end i.e. 31 March, 2005, shortfalls are anticipated in Direct Exchange Lines and Switching Capacity due to large scale disconnections in fixed line to the tune of 31.58 lakh and non-availability of Fixed Wireless Terminals. Similar shortfalls are anticipated in North-East Region and Tribal Sub-Plan (TSP) areas due to the same reasons. The Committee are of the view that there should be prudent planning in getting the equipment in time, otherwise schemes are bound to suffer. Similarly, in order to arrest disconnections/surrender of fixed line telephones, BSNL should improve its services and handle

customer grievances more efficiently apart from offering value added services on land lines. Adequate attention in this regard has also to be paid towards North-East Region and TSP areas, they being the special focus area in the Tenth Plan.

36. The Committee feel that it is high time BSNL provided the benchmark for all services considering its potential for penetration and the support it gets from the Government besides the need for the Company to prevent cartalization and monopoly.

37. Of late, the Committee have been expressing their concern over BSNL's outstanding arrears of telephone bills. As on 31 December, 2004 the arrears stand at a staggering Rs. 3,639.58 crore out of which Rs. 3,243.09 crore pertain to basic services and Rs. 396.49 crore to mobile services. In basic services, the outstanding arrears in some Circles like Uttar Pradesh (East), Andhra Pradesh, Maharashtra, North-East-II, Calcutta, Bihar, Punjab, Gujarat, Karnataka, Madhya Pradesh etc. are quite alarming. Keeping in view the mounting arrears over the years, the Committee feel that although BSNL has stated to have been taking a number of measures to recover the outstanding dues, these measures have proved to be quite inadequate and ineffective. In view of the fact that BSNL, at its present financial health, can ill-afford to prolong the recovery or write off such a huge amount, the Committee strongly urge the Company to explore other prudent measures to recover the dues.

Mahanagar Telephone Nigam Limited (MTNL)

38. The Committee note that in the year 2004-2005 the BE for MTNL was Rs. 2157 crore which was slashed down to Rs. 1855 crore at RE stage and the expenditure is around Rs. 950 crore which is approximately 40% of the proposed budget. The reasons as given by the Department relate to non-completion of a project, non-procurement of terminals, non-finalisation of tender, non-receipt of license and bad planning towards expansion in new services areas abroad. The Committee feel that the Department is well aware of its problems in the non-achievement of financial targets. Planing without a clear vision of the expected goal as in the case of expansion in new services areas abroad, non-receipt of hardware as in the CDMA terminals, non-finalisation of tender as in IT related services reflects adversely on the efficiency of the procurement system of MTNL.

39. The Committee feel that MTNL should be more active in timely calling of tenders, placement of orders and focus on improving and cutting down on time in the procedural part. It should also see that vital funds are not parked in very ambitious projects e.g. Rs. 400 crore were budgeted for expansion in new services whereas later

on in the year it was felt that there were basically no opportunities in the field. The Committee are of the strong opinion that funds come easy to MTNL and therefore, there is no hard thinking, otherwise, there is no reason why a limited Company should be spending 40% of its budget in a year, whereas 60% of the Budgetary Provisions i.e. Rs. 950 crore were lying for a whole year and have gone unspent, which is a colossal wastage of scarce resources. The Committee recommend that MTNL should exercise maximum restraint in projecting its demands through a well laid out coordination between its various departments of purchase, production, sales, inventory and expansion. The Department should deeply look into its efficiency as a whole and improve upon cutting down on wasteful budgeting.

40. The Committee note that MTNL has achieved 13.56% of targets fixed for the first 3 years of the Tenth Plan in DELs, 49.07% of targets fixed for Net Switching Capacity, 42.63% in Tax/Tadem and 29.14% in DLCs. The Committee have been informed that the shortfall in DELs was due to the shift of demand from fixed line to mobile and the mobile service capacity was exhausted quickly, it being a cost effective service. In Tax/Tadem, MTNL had fixed targets anticipating a demand from BSNL but BSNL has installed its own Tax/Tadem. Having gone through the financial and the physical targets and achievements, the Committee are concerned about the future of MTNL. They feel that unless MTNL improves on its efficiency both in house and as a service provider the day is not far off when the private operators may overtake MTNL rendering the Company to a less preferred service provider.

41. The Committee are convinced that MTNL would require some infusion of fresh talent into them to set good practices in planning, adopting cost effective measures, timing of tendering, strict implementation of contractual obligations, completion of projects in time etc. and then only they would be able to meet the targets and have no surplus funds parked. The Committee, therefore, recommend that MTNL has got to do serious thinking for achieving the targets in a more effective manner in the prevailing competitive environment.

42. The Committee also feel that MTNL by virtue of its locational advantage and the prime markets that it serves should strive to be a more proactive provider of emerging services that are a necessity of vibrant economies. MTNL should strive to improve the quality of its services and chase the breed of emerging niche service users who will be the major users of a wide range of premier communication services. The Committee also supports MTNL's efforts to penetrate the international markets while utilising the knowledge and experience of other PSUs like that of TCIL.

43. The Committee are informed that in a period of 19 years MTNL has accumulated arrears of Rs. 1,200 crore. Out of Rs. 1,200 crore, Rs. 700 crore are more than a year old. As for the mobile services the arrears are to the tune of Rs. 112 crore out of which Rs. 80 crore is more than two years old. For the last one year the figure is about Rs. 32 crore, out of which Rs. 15 crore is less than three months old. The Committee have also been informed that MTNL has booked agents to recover old dues and they pay 20% commission to these agents for whatever recoveries they make. Incidentally, these agents have not proved to be very successful in effecting the recoveries. The Committee are further informed that various measures are being taken by them to avoid having larger defaulters in the future. One such measure is disconnection, wherein, the amount of arrears is not allowed to mount up due to disconnection. MTNL's fear in disconnection is that the consumer is free to move to other operators which is a loss to MTNL. The Committee note that in some cases files of defaulters are missing and therefore due to lack of details the amount could not be recovered. The Committee are of the opinion that the appointment of agents has not proven to be a very effective method of recovering amounts. Not letting the arrears amount go beyond a certain limit is the correct step. The Company should have an in-built system of recovery based on sound principles.

44. The Committee are aware that in any business there would be arrears but they feel that the efforts for recovering the arrears should be sincere and focussed. The Committee have a feeling that the Company is not serious in the recoveries and therefore, it has now mounted upto Rs. 1,200 crore for landline connections and another Rs. 112 crore in the mobile services. In this context, the Committee disapprove CMD MTNL's statement that the outstanding arrear is a very small amount. On the contrary, it is a very large amount and therefore, the Committee strongly recommend that more concerted, targetted and focussed efforts should be put in by MTNL to recover these amounts. The Committee hope that a better performance will be shown in this regard next year.

45. The Committee are informed that MTNL has a turnover of Rs. 4,340 crore upto December, 2004 in comparison to a turnover of Rs. 6683.93 crore in 2003-2004 and Rs. 6030.22 crore in 2002-2003. The profit before tax is Rs. 840 crore upto December, 2004 as against Rs. 1684 crore in the year 2003-2004 and the profit after tax is Rs. 633 crore upto December, 2004 as against Rs. 1234.6 crore in the year 2003-2004. This decline is partly attributed to the decline in tariff rates on account of competition. The Committee are concerned at the steep decline in turnover as well as profit of MTNL in this

financial year. The Committee desire that the matter be looked into and appropriate measures taken with a view to improving the financial performance of MTNL. The Committee would like to be apprised of the specific action taken in the matter.

ITI Ltd.

46. The Committee are deeply perturbed to note the lack of a clear strategy from ITI towards a healthy and farsighted revival of this national institution. There does not seem to be any clarity on the choice of product mix nor plans for the optimum utilisation of the capacities of its various plants and unfortunately there is evidence of a clear indifference to its current pathetic state of affairs.

47. The Committee note that the Budgetary allocation to ITI for the financial year 2004-2005 was Rs. 120 crore, out of which the Company could spend Rs. 22.40 crore. Earlier also in the years 2002-2003 and 2003-2004 the expenditure was much below the provisions made in the Domestic Budgetary Support. The turnover of the industry last year was Rs. 1,253 crore and for this year it may touch Rs. 1,600 crore. The Committee are informed that this turnover is based on a 40% utilization of the capacity of the plants. The Committee further note that there are two reasons for the shortfall in the turnover. One is that the prices have fallen by over 50% in all the products ITI has manufactured and the other is delays in execution of orders. The lesser capacity utilisation of the plant is stated to be because ITI is doing more of trading than manufacturing and the delays are purely bad management. The Committee are of the opinion that more thrust is being given to the revival of the six plants under ITI than on their optimum capacity utilization. The Committee feel that ITI should have clear strategies and more effective response to market demands for effective redeployment of manpower, optimum utilisation of capacity, choosing right product mix and having technological arrangements with more viable partners with greater potentials. For all this, the Committee feel that ITI should infuse fresh engineering management and scientific talent from premier institutions of India. The Committee feel that all these efforts should culminate in branding ITI as a premium telecom product manufacturer.

Telecommunications Consultants India Ltd. (TCIL)

48. The Committee are happy to note that TCIL has achieved global mandates and is striving to get into more countries in the fields of core competence of the Company viz. Network projects, Software support, Switching and Transmission systems, Optical Fibre on ground wire for tower utilities, e-Governance for India and abroad

etc. The paid-up capital of the Company has gone up from Rs. 10 lakh to Rs. 28.80 crore in a span of 24 years and is having a turnover of about Rs. 750 crore today. The Company is stated to have worked in 55 countries so far, with export turnover of 71.25% of the total turn over. While appreciating the performance of the organisation, the Committee hope that TCIL will strive to widen their range of operation and enhance their business. The Committee encourage TCIL to share its experience and knowledge base of international markets with the other telecom PSUs.

Other Issues

(i) Reimbursement to Department of Posts

49. The Committee observe that an outstanding due of Rs. 100 crore is to be reimbursed to the Department of Posts for the telegraph services they have rendered to the Department of Telecommunications (DoT). The Committee would like to impress upon the Department of Telecom to sort out the matter amicably and expeditiously so that the long standing dues of Department of Posts are made available to them.

(ii) Cold calls

50. The Committee observe with disdain the wide ranging press coverage regarding unsolicited calls to mobile telephone users from multiple vendors including financial institutions, cellular operators etc. offering credit cards, insurance policies, auto finance, mobile connections etc. This seeks not only to intrude the privacy of citizens but also cause constant disturbance. The Committee, therefore, desire that the Government should explore the feasibility of enacting an appropriate law, scheme or regulation to protect mobile phone users from this avoidable harassment.

NEW DELHI;
20 *April,* 2005
30 *Chaitra,* 1927 *(Saka)*

M.M. PALLAM RAJU,
Chairman,
Standing Committee on
Information Technology.

MINUTES OF THE SEVENTEENTH SITTING OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2004-2005)

The Committee sat on Wednesday, the 30th March, 2005 in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri M.M. Pallam Raju—*Chairman*

MEMBERS

Lok Sabha

2. Shri Nikhil Chaudhary
3. Shri Mani Cherenamei
4. Shri Sanjay Dhotre
5. Shri Kailash Joshi
6. Shri P.S. Gadhavi
7. Smt. Nivedita S. Mane
8. Shri Ashok Kumar Rawat
9. Shri Chander Shekhar Sahu
10. Shri K.V. Thangka Balu
11. Shri Ram Kripal Yadav

Rajya Sabha

12. Shri Ashwani Kumar
13. Shri Babir K. Punj
14. Smt. Sarla Maheshwari
15. Shri K. Rama Mohana Rao
16. Shri Motiur Rahman

SECRETARIAT

1. Shri S.K. Sharma — *Additional Secretary*
2. Shri P. Sreedharan — *Joint Secretary*
3. Shri Raj Shekhar Sharma — *Director*
4. Shri K.L Arora — *Under Secretary*

WITNESSES

Representatives of Department of Telecom

1.	Shri Nripendra Misra	Chairman, TC & Secretary, DoT
2.	Shri Shyamal Ghosh	Administrator (USO)
3.	Shri A.K. Sawhney	Member (F)
4.	Shri A.K. Saxena	Member (Services)
5.	Shri S.L. Jain	Member (Tech.)
6.	Shri B. Sivaramakrishnan	Member (Prod.)
7.	Shri Y.S. Bhave	Addl. Secretary (T)
8.	Ms. S.A. Tirmizi	Advisor (F)
9.	Shri A.K. Chaturvedi	Advisor (HRD)
10.	Shri R.C. Vaish	Advisor (T)
11.	Dr. S.M. Jharwal	Advisor (Eco)
12.	Smt. Anuradha Mitra	DDG (FEB)
13.	Shri P.K. Garg	Wireless Advisor
14.	Shri A.K. Sinha	CMD, BSNL
15.	Shri R.S.P. Sinha	CMD, MTNL
16.	Shri Y.K. Pande	CMD, ITI
17.	Shri Vijay Madan	Executive Director, C-DoT

2. At the otuset, the Chairman welcomed the representatives of the Department of Telecommunications to the sitting of the Committee.

3. Thereafter, the Secretary, DoT gave a brief presentation on the Demands for Grnats of the Department for the financial year 2005-2006. The Members sought certain clarifications on various issues relating to the subject. The representatives of the Department responded to the same.

4. The Chairman, then thanked the witnesses for appearing before the Committee as well as for furnishing valuable information that the Committee desired in connection with the examination of the subject.

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

The Committee, then, adjourned.

MINUTES OF THE THIRTEENTH SITTING OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2004-2005)

The Committee sat on Tuesday, 12 April, 2005 from 1100 hours to 1500 hours in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri M.M. Pallam Raju—*Chairman*

MEMBERS

Lok Sabha

2. Shri Nikhil Chaudhary
3. Shri Mani Cherenamei
4. Shri Sanjay Dhotre
5. Shri P. Karunakaran
6. Dr. P. P. Koya
7. Smt. Nivedita S. Mane
8. Shri Sohan Potai
9. Shri Tathagata Satpathy
10. Shri Ram Kripal Yadav

Rajya Sabha

11. Smt. Sarla Maheshwari
12. Shri K. Rama Mohana Rao
13. Shri Ekanath K. Thakur

SECRETARIAT

1. Shri P. Sreedharan — *Joint Secretary*
2. Shri Raj Shekhar Sharma — *Director*
3. Shri K.L. Arora — *Under Secretary*

2. At the outset, the Chairman welcomed the Members to the sitting of the Committee. The Committee then took up the following Draft Reports for consideration:—

(i) Draft Report on "Demands for Grants (2005-2006)" relating to the Department of Telecommunications.

(ii) *** *** ***

3. The Committee adopted the above-mentioned Draft Reports with some amendments/modifications.

4. The Committee, then, authorized the Chairman to finalize and present the above-mentioned Reports to the House in the light of the factual verification received from the concerned Departments/Ministry on a day convenient to him.

The Committee, then, adjourned.

ACRONYMS

ADC	—-	Access Deficit Charges
ADSL	—-	Asymmetrical Digital Subscriber Line
CCA	—-	Controller of Communication Accounts
C-DOT	—-	Centre for Development of Telematics
CDMA	—-	Code Division Multiple Access
CLIP	—-	Callers Line Identification Protocol
CMPs	—-	Cellular Mobile Phones
CSC	—-	Customer Service Centres
CSMS	—-	Customer Service Management System
DCC	—-	Development Coordination Committee
DELs	—-	Direct Exchange Lines
DIAS	—-	Direct Internet Access System
DLC	—-	Digital Loop Carrier
DWDM	—-	Dense Wavelength Digital Multiplexing
ECS	—-	Electronic Clearance Scheme
FDMA	—-	Frequency Division Multiple Access
FRS	—-	Fault Repair Service
FWT	—-	Fixed Wireless Terminals
GMPCS	—-	Global Mobile Personal Communication by Satellite
GRs	—-	Generic Requirements
HSDL	—-	High bit rate Digital Subscriberline
ILD	—-	International Long Distance
IMRB	—-	Indian Marketing Research Bureau
IN	—-	Intelligent Network
INSAT	—-	Indian National Satellite
IRs	—-	Interface Requirements
ISDN	—-	Integrated Services Digital Network
ISP	—-	Internet Service Provider
ITU	—-	International Telecommunication Union
IUC	—-	Interconnection Usage Charge
IVRS	—-	Interactive Voice Response System
MARR	—-	Multi Access Radio Relay
MLLN	—-	Managed Leased Line Network
MMS	—-	Multimedia Messaging Service
MPLS	—-	Multi Protocol Label Switching
MSS	—-	Mobile Satellite System
MUX	—-	Multiplexer
NGN	—-	Next Generation Network
NLDS	—-	National Long Distance Service
NTP	—-	New Telecom Policy

NYSF	—-	New York Stock Exchange
OFC	—-	Optical Fibre Cable
OPEX	—-	Operating Expenses
QTS	—-	Quality of Telephone Service
QOS	—-	Quality of Service
PCO	—-	Public Call Office
PCS	—-	Personal Communication System
PMRTS	—-	Public Mobile Radio Trunk Service
POI	—-	Point of Interconnection
POT	—-	Plain Old Telephone
PSTN	—-	Public Switching Telecom Network
PTIC	—-	Public Telecom and Info Centers
RABMN	—-	Remote Area Business Message Network
RAN	—-	Radio Access Network
RCPs	—-	Rural Community Phones
SDCA	—-	Short Distance Charging Area
SDH	—-	Synchronous Digital Hierarchy
SIM	—-	Subscribers Identification Module
SSA	—-	Secondary Switching Area
STM	—-	Synchronous Transport Module
TDMA	—-	Time Division Multiple Access
TDSAT	—-	Telecom Disputes Settlement and Appellate Tribunal
TEC	—-	Telecom Engineering Centre
TRAI	—-	Telecom Regulatory Authority of India
TSP	—-	Tribal Sub-Plan
TTL	—-	Telecom Testing Laboratory
TTO	—-	Telecommunication Tariff Order
UAL	—-	Universal Access Levy
UASL	—-	Unified Access Service Licence
UHF	—-	Ultra High Frequency
UL	—-	Unified Licence
UMS	—-	Unified Messaging Service
USF	—-	Universal Service Fund
USO	—-	Universal Service Obligation
USSP	—-	Universal Service Support Policy
VPN	—-	Virtual Private Network
VPTs	—-	Village Public Telephones
VSAT	—-	Very Small Aperture Terminal
WLL	—-	Wireless in Local Loop
WMO	—-	Wireless Monitoring Organisation
WPC	—-	Wireless Planning and Coordination