

**STANDING COMMITTEE ON  
INFORMATION TECHNOLOGY  
(2004-2005)**

**FOURTEENTH LOK SABHA**

**MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY  
(DEPARTMENT OF TELECOMMUNICATIONS)**

**DEMANDS FOR GRANTS  
(2004-2005)**

**THIRD REPORT**

***Presented to Lok Sabha on 23.08.2004***

***Laid in Rajya Sabha on 24.08.2004***

**LOK SABHA SECRETARIAT  
NEW DELHI**

**AUGUST, 2004 / SRAVANA, 1926 (Saka)**

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

**Shri M.M. Pallam Raju                      -                      CHAIRMAN**

**MEMBERS – LOK SABHA**

2. Shri Nikhil Chaudhary, M.P.
3. Shri Mani Cherenam, M.P.
4. Shri Sanjay Dhotre, M.P.
5. Kunwar Jitin Prasad, M.P.
6. Shri Kailash Joshi, M.P.
7. Shri P. Karunakaran, M.P.
8. Dr. P.P. Koya, M.P.
9. Shri Bhartruhari Mahtab, M.P.
10. Shri Ajay Maken, M.P.
11. Smt. Nivedita S. Mane, M.P.
12. Smt. P. Jayaprada Nahata, M.P.
13. Col. G. Nizamuddin, M.P.
14. Shri Sohan Potai, M.P.
15. Shri Ashok Kumar Rawat, M.P.
16. Shri Chander Shekhar Sahu, M.P.
17. Shri Vishnu Sai, M.P.
18. Shri Tathagat Satpathy, M.P.
19. Shri K.V. Thangka Balu, M.P.
20. Shri P.C. Thomas, M.P.
21. Shri Ram Kripal Yadav, M.P.

**RAJYA SABHA**

22. Shri Vijay J. Darda, M.P.
23. Shri Ashwani Kumar, M.P.
24. Dr. Akhilesh Das, M.P.
25. Shri Balbir K. Punj, M.P.

26. Shri Dara Singh, M.P.
27. Smt. Sarla Maheshwari, M.P.
28. Shri N.R. Govindarajar, M.P.
29. Shri K. Rama Mohana Rao, M.P.
30. Shri Motiur Rahman, M.P.
31. Shri Sanjay Nirupam, M.P.

**SECRETARIAT**

- |                            |      |                          |
|----------------------------|------|--------------------------|
| 1. Shri P.D.T. Achary      | ---- | Additional Secretary (P) |
| 2. Shri S.K. Sharma        | ---- | Joint Secretary (SK)     |
| 3. Shri Raj Shekhar Sharma | ---- | Deputy Secretary         |
| 4. Shri K.L. Arora         | ---- | Under Secretary          |
| 5. Shri D.R. Mohanty       | ---- | Committee Officer        |

## **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 Third Report on 'Demands for Grants (2004-2005)' 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.* 2004-2005, which were laid on the Table of the House on 21 July, 2004. The Committee took evidence of the representatives of the Department of Telecommunications on 10 August, 2004.

4. The Report was considered and adopted by the Committee at their sitting held on 19 August, 2004.

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 observations and recommendations of the Committee have been printed in bold letters in Part-II of the Report.

New Delhi  
19 August, 2004  
28 Sravana, 1926 (Saka)

**M. M. PALLAM RAJU,**  
**CHAIRMAN,**  
**STANDING COMMITTEE ON**  
**INFORMATION TECHNOLOGY**

## **REPORT**

### **INTRODUCTORY**

The Department of Telecommunications (DoT) is responsible for policy formulation and grant of licenses to operators for providing basic and value added services in various cities and telecom Circles as per approved policy of the Government. The Department also allocates frequency and manages radio communications in close coordination with the International bodies. It is also responsible for enforcing wireless regulatory measures and monitoring the wireless transmission of all users in the Country. The Office of the Administrator, Universal Service Obligation (USO) Fund has been set up w.e.f. 1 June, 2002 for the purpose of implementation of Universal Service Support Policy. The plan of the Department is mainly executed by its four Public Sector Undertakings i.e., Bharat Sanchar Nigam Limited (BSNL), Mahanagar Telephone Nigam Limited (MTNL), ITI Ltd. and Telecom Consultant India Ltd. (TCIL).

2. The Budget Estimate for 2004-2005 of the Department of Telecommunications includes the requirements of the Secretariat of the Ministry, Directorate of DoT, Offices of the Controller of Communication Accounts, Wireless Planning and Coordination Wing (WPC), Wireless Monitoring Organisation (WMO), International Cooperation, Telecom Regulatory Authority of India (TRAI), Telecom Disputes Settlement & Appellate Tribunal (TDSAT), 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 2004-2005 is as under:-

**DEMAND No.15**

*(in thousands of Rupees)*

<b><u>REVENUE SECTION</u></b>			
	<b><i>Plan</i></b>	<b><i>Non-Plan</i></b>	<b><i>Total</i></b>
VOTED	1,63,73,00	2167,51,00	2331,24,00
CHARGED	---	---	---
<b><u>CAPITAL SECTION</u></b>			
	<b><i>Plan</i></b>	<b><i>Non-Plan</i></b>	<b><i>Total</i></b>
VOTED	1,00,000	508,00,00	509,00,00
CHARGED	---	---	---
<b><i>Grand Total (Revenue and Capital)</i></b>			<b><i>2840,24,00</i></b>

4. The approved Plan outlay for 2003-2004 of the Telecom Sector including its PSUs was Rs.14,955.00 crore with Rs.185.00 crore of budgetary support. In the Revised Estimates 2003-2004, the Proposed Plan outlay was reduced to Rs.12,855.01 crore including Rs.152.01 crore of budgetary support.

5. The brief summary of the Actuals 2002-2003, the BE & RE 2003-2004 and the BE 2004-2005 is as follows:-

*(Rs. in crores )*

	<b><i>Actuals (2002-03)</i></b>	<b><i>2003-04 BE</i></b>	<b><i>2003-04 RE</i></b>	<b><i>2004-05 BE</i></b>	<b><i>% of Col.5 over Col.2</i></b>	<b><i>% of Col.5 over Col.4</i></b>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Revenue Section</b>						
Gross Expenditure	3568.62	1367.65	3943.28	2331.24	65.33	59.12
Deduct Revenues	Nil	Nil	Nil	Nil		
Receipt	Nil	Nil	Nil	Nil		
Deficit	Nil	Nil	Nil	Nil		
Provision for NE	Nil	Nil	Nil	Nil		
<b>Capital Section</b>						
Gross Expenditure	770.05	1.00	1.00	509.00	66.10	509.00
Deduct Revenues	Nil	Nil	Nil	Nil		
Net Expenditure	770.05	1.00	1.00	509.00	66.10	509.00
Provision for NE	Nil	Nil	Nil	Nil		

6. The approved Plan outlay for 2004-2005 is Rs.11,660.00 crore including budgetary support of Rs.175.00 crore. The statement of Plan Allocations for the year 2004-2005 is as under:-

<b>Sl.No.</b>	<b>Unit</b>	<b>IR</b>	<b>Bonds</b>	<b>BS</b>	<b>Plan Outlay Total</b>
1.	BSNL	7734.00	1074.00	1.00	8809.00 @
2.	MTNL	2557.00	0.00	0.00	2557.00
3.	ITI	0.00	120.00	0.00	120.00
4.	WMO	0.00	0.00	14.27 **	14.27 **
5.	WPC	0.00	0.00	73.75	73.75
6.	TRAI	0.00	0.00	0.00 \$	0.00 \$
7.	TDSAT	0.00	0.00	0.60	0.60
8.	TEC	0.00	0.00	4.00	4.00
9.	C-DOT	0.00	0.00	81.38	81.38
<b>TOTAL</b>		<b>10291.00</b>	<b>1194.00</b>	<b>175.00</b>	<b>11660.00</b>

*NE component of Rs.500.00 crore forms part of the plan outlay of BSNL.*

*IT component of 3% of Budgetary support and is distributed in the outlays of the different organisations.*

*\*\* It includes Rs.10.27 crore for civil works under Urban Development.*

*\$ The projected BE for TRAI is Rs.4.00 crore but its expenditure will be met from TRAI General Fund (Plan Component) of DoT.*

*@ Does not include Rs.3318 crore towards Reimbursement of License Fee & Spectrum Charges and Rs.2,650 crore towards Net Receipt of USO Funds since these items form part of Non-Plan Head.*



**PART-I**

**(A). BHARAT SANCHAR NIGAM LIMITED (BSNL)**

**(i) Financial allocation and utilisation**

7. The Committee have been informed that Bharat Sanchar Nigam Limited (BSNL) operates a network of 3.54 crore telephones on fixed lines, 9.59 lakh telephones on Wireless in Local Loop (WLL) lines and 52.54 lakh Cellular Mobile Connections as on 31 March, 2004. As on the same date, the Company has a subscriber base of 3,54,35,637 in 26 Telecom Circles with 36,618 Telephone Exchanges and the Switching Capacity of 4,63,36,881 lines. BSNL had an annual revenue of Rs.25,893 crore in the year 2002-2003 and a capital outlay of Rs.12,285 crore in the Annual Plan 2003-2004. The Plan outlay for 2004-2005 has been stated to be Rs.8,809 crore funding pattern of which is as below:-

(i) Internal resources	-	Rs.7,734 crore
(ii) Bonds Debentures	-	Rs.1,074 crore
(iii) Budgetary support	-	Rs. 1 crore
Total:		Rs.8,809 crore

8. This proposed outlay does not include Rs.3,318 crore towards reimbursement of License Fee and Spectrum Charges and Rs.2,650 crore towards net receipt from USO Fund. The Committee have further been informed that BSNL's target for the Tenth Plan Period is 367.64 lakh Direct Exchange Lines (DELs) with an outlay of Rs.66,412 crore. The target for the year 2004-2005 has been fixed at 100 lakh DELs.

9. In this context, the Committee desired to know about the requirement of funds for the provision of 100 lakh DELs during the year 2004-2005. In reply, the Department

stated that a capital outlay of Rs.8,809 crore was provided for BSNL in the Annual Plan 2004-2005 as against the requirement of Rs.14,777 crore. This amount of Rs.8,809 crore alongwith reimbursement of License Fee and Spectrum Charges and USO Fund receipts expected to be provided under Non-Plan would be utilised for providing 100 lakh DELs. It was, however, stated that a shortfall in reimbursement of License Fee and Spectrum Charges and net receipt from USO Fund would have an adverse impact on achieving the physical targets during the year 2004-2005.

10. In evidence the CMD, BSNL apprised the Committee that in 2001-2002, BSNL had invested Rs.11,161 crore in the rural areas and the total support that the Company got from the Government was around Rs.3,000 crore. Similarly, in 2002-2003, the Company invested Rs.9,633 crore in the rural sector, but got back Rs.2,491 crore only.

Asked to state the position for the year 2003-2004, the CMD, BSNL submitted:-

*“For the year 2003-2004, audit is going on. We expect that there would be further loss of about Rs.9,000 crore in this year”.*

11. To a specific query regarding reimbursement of license fee, the CMD, BSNL stated that in the years 2001-2002, 2002-2003 and 2003-2004, BSNL had paid Rs.3,333.86 crore, Rs.2,789 crore and Rs.3,316.45 crore respectively as license fee. But the Company was reimbursed Rs.6,900 crore only i.e. Rs.2,300 crore in each of the above stated three years.

12. Asked to specify the support BSNL needed from the Government, the CMD, BSNL replied:-

*“We have already requested that the reimbursement of license fee and spectrum charges should continue. Reimbursement of capital and operational expenditure*

*on rural telephony should be supported. Pension charges in respect of employees who retired from DoT before the formation of BSNL should be borne by the Government”.*

13. The Committee desired to hear the views of the Secretary, DoT on the above issues. He responded by saying that if the Government did not take responsibility for reimbursement of license fee and spectrum charges to BSNL, then it would be a major setback to the Company.

14. On being asked to state the measures taken by the Department to ensure such reimbursements, the Secretary, DoT replied:-

*“We have written letters at the Ministry level. A meeting has been held. Attention has been drawn to the fact that this has to be provided in the BE (2004-2005) itself and it cannot be kept pending till the RE (stage). Otherwise, it will be extremely difficult to have any plan”.*

15. The Committee then pointed out that in addition to the provision of 100 lakh DELs during the year 2004-2005. BSNL has also to fulfill other obligations like replacement of around 64,424 VPTs working on MARR systems. The Committee enquired as to how would BSNL, in the absence of adequate funds, be able to achieve the assigned targets. The Department stated that BSNL would be able to replace the assigned MARR VPTs subject to adequate support being received from the USO Fund.

16. As regards the Universal Service Obligation (USO) Fund, a scrutiny of the budget documents revealed that a sum of Rs.200 crore was allocated to the Fund in the 2003-2004 RE and an equal amount has been provided in BE 2004-2005. The Committee

asked about the actual requirement of funds under USO for the year 2004-2005 and whether Rs.200 crore would be sufficient to meet the requirement. In reply, the Department stated that as tenders for all the activities covered under the policy were expected to be finalised in 2004-2005 and in order to meet the accrued liabilities for Rural household DELs for the period 2004-2005, the budgetary requirement of funds was projected at Rs.2,700 crore for BE 2004-2005, but the Ministry of Finance have provided only Rs.200 crore. As the allocation of Rs.200 crore will not be sufficient to meet the requirement for 2004-2005, the matter has been taken up by DoT with the Ministry of Finance for higher allocation.

17. The Committee then desired to be apprised of the action taken by the Department to reimburse the License Fee and Spectrum Charges to BSNL. The Department in reply stated that the Government approved a package of measures for BSNL in February 2002 which *inter-alia* included reimbursement of Licence Fees & Spectrum Charges for an initial period of three years i.e. up to 2002-03. Later, Government in September 2003 approved extension of this package beyond 2002-03 for a period of one year i.e. for the financial year 2003-04.

18. Thereafter the Group of Ministers (GoM) on Telecom Matters constituted in September 2003 under the then Minister of Finance, had *inter-alia* recommended that, to enable BSNL to expand its rural telecom network, the existing reliefs and concessions will be extended to BSNL on year to year basis, after reviewing the budgetary position before commencement of each financial year. This recommendation of GoM was approved by the Government in October 2003. However for the years 2001-02 to 2003-

04, the cumulative reimbursement of Licence Fee and Spectrum Charges to BSNL was Rs.6,900 crore as against payment of Rs.9,439 crore by the BSNL in the same period.

19. The matter has been taken up by Hon'ble Minister of Communications & Information Technology with the Finance Minister vide letter dated 16<sup>th</sup> July 2004 for inter-alia providing Rs.3,318 crore towards full reimbursement of Licence Fee and Spectrum Charges to BSNL under the Non-plan Head for the year 2004-05. This has been further followed up vide a letter dated 27<sup>th</sup> July 2004 from Secretary, DoT to Finance Secretary.

20. As regards continuation of moratorium on repayment of principal and interest on Government loans, Concessional Central Tax etc. as granted to BSNL, the Committee were informed that Government loan of Rs.7,500 crore to BSNL would be continued for 15 years and there would be moratorium on repayment of principal and interest up to 31 March, 2005. The dividend on equity in the capital structure of BSNL is not to exceed 10 per cent during the Tenth Plan Period.

21. Referring to their last year's Report on Demands for Grants, wherein it was found that various Tax liabilities like Corporate Tax, Sales Tax, Excise Duty, Entry Tax etc. were adversely affecting BSNL to a great extent, the Committee asked about the position this year and wanted to know to what extent the various tax liabilities affected BSNL's performance in various schemes. It was replied by the Department that as per the un-audited account, a sum of Rs.572.34 crore was paid by BSNL as advance Corporate Tax in the year 2003-2004. It was also stated that Sales Tax to the tune of Rs.2,650 crore being imposed by various State Governments retrospectively w.e.f. 1988 would adversely affect the profitability and viability of BSNL since it would be impossible to realise the

same from customers. BSNL has filed an appeal in the Hon'ble Supreme Court in this regard. The Committee was further informed that Excise Duty of Rs.35 crore approximately was paid by BSNL's Telecom Factories on its products meant for BSNL's internal use.

22. The Committee then asked about the reason for allocating a meagre sum of Rs.1 crore to BSNL in the 2004-2005 Budget. The Department of Telecommunications stated that the amount was only a token provision which could be enhanced depending upon the need/requirement. Considering the prevailing market interest rate, the interest of 13.5 percent on the budgetary support was high and thus BSNL was not keen for enhancement in budgetary allocation.

**(ii) Physical target and achievement**

23. Physical target in various schemes and total outlay set for BSNL as well as achievement thereof for the year 2003-2004 and the target fixed for 2004-2005 was stated to be as follows:-

<b>Sl. No.</b>	<b>Parameters</b>	<b>Unit</b>	<b>Target 2003-2004</b>	<b>Achievement 2003-2004</b>	<b>%age</b>	<b>Targets 2004-2005</b>
1.	Switching Capacity *	Lakh Lines	65.00	49.66	76.4	130
2.	DELS *	Lakh Lines	60.61	34.59	57.1	100
3.	TAX	Kilo Circuits	1,058.0	903.0	85.3	800
4.	M/W	RKMs	2,000.0	2,790.0	139.5	---
5.	OFC	RKMs	35000	35392	101.12	18000
6.	VPTs	Nos.	7,135	4,737 **	66.4	5,980
7.	Outlay	(Rs. cr.)	12,285	***	---	---

( DEL = Direct Exchange Lines; TAX = Trunk Automatic Exchange; M/W = Microwave;

OFC = Optical Fibre Cable; VPT = Village Public Telephone)

\* Includes Wired line, Wireless in Local Loop (WLL) and Cellular Mobile Services (CMTS).

\*\* In addition 43,430 and 39,250 MARR VPTs were replaced in 2002-2003 and 2003-2004 respectively.

\*\*\* Accounts are being finalised.

24. As is seen from above, during the year 2003-2004 the target for BSNL in Switching Capacity and Direct Exchange Lines (DELs) was 65 lakh lines and 60.61 lakh lines respectively whereas the corresponding achievement was 49.66 lakh lines and 34.59 lakh lines. Similarly, in Trunk Automatic Exchanges (TAX) and Village Public Telephones (VPT) the target for the year 2003-2004 was 1,058 kilo circuits and 7,135 (Nos.) whereas the achievement was 903 kilo circuits and 4,737 (Nos.) respectively. In this context, the Committee asked about the reasons for non-achievement of target in each of the abovestated four schemes. In reply, it was stated by the Department that the gross achievement in DELs was actually 67.20 lakh lines. However, net achievement was less due to disconnection of approximately 32.60 lakh lines during the year 2003-2004. Asked to state the reasons for disconnection of such a large number of telephone connections and whether any survey was conducted by BSNL in this regard, it was stated that disconnections were only in conventional fixed line DELs in major towns and cities where the subscribers had owned more than one connection. Such subscribers surrendered the additional connections the need for which was obviated partly due to increased reliability of telephone services and preference of the subscribers for a mobile phone. Part of the disconnections were also due to the normal churn on account of non-payment of dues, availability of another operator and a choice between mobile and fixed services.

25. The Committee were informed that BSNL conducted a survey to gauge the reasons of disconnection and as per the findings of this survey 55 per cent happened to be ex-subscribers who did not own any telephone as on that date, 18 per cent switched over to GSM mobile services, another 18 per cent surrendered additional lines possessed earlier (but still have BSNL connection) and the remaining 9 per cent switched over to Private Operators. It was simultaneously stated that the above findings showed only a general trend of disconnections as the exact break-up of 32.6 lakh surrendered phones was difficult to ascertain.

26. Regarding shortfalls in Switching Capacity, Trunk Automatic Exchanges (TAX) and Village Public Telephones (VPT), the Committee were informed that delayed/non-receipt of WLL cordect systems, delayed supply of equipment and non-availability of Fixed Wireless Terminals (FWTs) caused non-achievement of target in the abovesaid schemes. It was further stated that in CMTS, for the West Zone, ITI returned the Advance Purchase Order (APO) and was unable to deliver any equipment for phase-II, consequent to the unanticipated closing of equipment manufacturing by the Company with which M/s. ITI had entered in a tie up. Further, non-availability of the requisite Government/WPC clearances on deployment of Cellular Mobile Services in North-Eastern States including Assam and J&K led to delay in commissioning of the CMTS equipment. Because of insurgency and strike by transporters, the shipped equipment could not be installed timely.

27. The Committee asked why timely action was not being taken to do away with the oft-repeated constraint i.e. non-availability/delayed supply of equipment. The DoT replied that in order to reduce the procedural delay to the extent possible, the complete purchase



procedure had been made available on the website. Tender Calendars for the complete year both at the corporate and circle level have been prepared. Corporate and Circle level Notice Inviting Tenders (NITs) are regularly posted on the website and moreover, additional suggestions are duly considered by BSNL. However, some unforeseen situations are sometimes faced with the procedures like transparency requirements in public sector procurement process in order to satisfy various agencies.

28. It was also stated that in the case of TAX equipment procurement for the year 2003-04, the vendors had quoted more than 30% higher per line cost than the previous tender. The tender was awarded after protracted negotiations to bring down the price and hence there was a delay in the supply of the equipment and consequently shortfall in the achievement.

29. Referring to the targets in Switching Capacity, Direct Exchange Lines (DELs), Trunk Automatic Exchanges (TAX) and Village Public Telephones (VPT) which have been fixed at 130 lakh lines, 100 lakh lines, 800 Kilo Circuits and 5,980 (Nos.) respectively for the year 2004-2005, the Committee desired to be apprised of the measures taken by BSNL to optimally achieve the above targets. In reply, it was stated by the Department that the following measures were proposed for achieving the 2004-2005 targets in Switching Capacity and DELs:

- (i) As the demand for landline DELs has considerably decreased in addition to the surrenders, no specific target for switching capacity is proposed to be added during 2004-05. However, landline connections will continue to be provided from the spare capacity available in the exchanges.

- (ii) The switching capacities proposed to be added in CMTS is 10 million lines in line with the customer demand for mobile telephones.
- (iii) Advance action for procurement of CMTS equipment has been taken and advance Purchase orders are expected to be placed in second week of August 2004.
- (iv) Sufficient equipment are available or in pipe-line to meet the switching and DEL targets for WLL lines as per details below:

Available in hand as on 01.04.2004	3.86 lakh
Eqpt. Ordered / in pipe line	10.79 lakh
Plans for procurement	15.00 lakh
Total	29.65 lakh

30. Similarly, to achieve the TAX target of 2004-2005, equipment have already been ordered and full equipment for commissioning of 800 KC TAX is expected to be received progressively by December, 2004.

31. For achievement of target in VPTs action has been initiated for procurement of Rural WLL equipment separating it from the urban plan so that the demand in rural areas can be met timely. Further, sufficient quantities of additional WLL equipment and FWTs have been ordered to achieve the VPT targets for the year 2004-2005.

32. Asked to state the position and provision of replacement of MARR VPTs, the Committee have been informed that 39,250 MARR VPTs were replaced during the year 2003-2004. For the year 2004-2005, the target is replacement of 64,424 VPTs and BSNL would be able to do that subject to the availability of support from USO Fund, the

reason being insufficient availability of Radio Frequency (RF) coverage to undertake the replacement work in some areas of the region.

**(iii) North-East Region and Tribal Sub-Plan**

33. Regarding the target and achievement in 2003-2004 and target set for 2004-2005 in North-East Region and Tribal Sub-Plan (TSP), the following two statements were furnished to the Committee.

**North-East Region**

Sl. No.	Parameters	2003-04								2004-05
		NE-I		NE-II		Assam		NE Region		NE Region
		Target	Ach	Target	Ach	Target	Ach	Target	Ach	Target
1	DELs (Fixed)	13000	9315	5500	11608	30000	17795	48500	38718	25000
2	WLL	6500	4621	9000	6806	15000	5765	30500	17192	106000
3	CMTS	50000	12160	Incl. in. NE-I	8104	38000	26211	88000	46475	261900
4	Total DELs	69500	26096	14500	26518	83000	49771	167000	102385	392900
5	Optical Fiber Cable (Rkms)	550	277.45	500	458	750	973	1800	1708.45	1000
6	Microwave System(Rkms)	85	148	100	83	75	175	260	406	0
7	VPTs	845	847	445	907	4300	1354	5590	3108	6470

*Note: The indicated target and achievements are the finally revised figures*

**Tribal Sub-Plan**

Sl. No.	Development Parameters	2003-04		2004-05
		Target	Achievement	Target
1	Telephone Exchanges (Nos.)	Nil	66	23
2	Switching Capacity (Lines)	300000	294680	275752
3	DELs (Nos)	270000	234114	282259
4	VPTs (Nos.)	Nil	3082	2920
5	Microwave (RKMs)	200	257	0
6	OFC (RKMs)	600	2210	2422
7	Satellite Stations (Nos.)	20	16	7

34. A perusal of the above statements revealed that for the year 2003-2004, the target for DELs in North-East Region was 1,67,000 lines i.e. 48,500 fixed lines, 30,500 WLL lines and 88,000 cellular lines. But the achievement was 1,02,385 lines, the break-up being 38,718 fixed lines, 17,192 WLL lines and 46,475 mobile lines. Similarly, the target in Optical Fibre Cables (OFC) for the North-East region for the year 2003-2004 was 1,800 Rkms whereas the achievement was 1,708.45 Rkms. In VPTs, the target for the same year was 5,590 but the achievement was 3,108 only. In this context, the Committee wanted to know the specific reasons for such shortfalls in the North-East region. In reply, it was stated by the Department that in North-East due to delays in Clearances for deployment of CMTS, there was a delay in placing order of cellular equipment. The installation of the Equipment started only in November 2003. BSNL had pursued with the vendors to cover all the District Headquarters by March 2004. However, this was hindered by non-availability of power from State Governments, SACFA clearances from WPC etc.

35. The Rural DEL target for the year 2003-04 was 6.00 lakh for the entire country. However, the achievement was 6.46 lakhs which was much above the target. The target for Rural DELs in Assam was only 5000, whereas the achievement was 9831 which was almost double the target. As is rightly indicated, against the target of 167000 lines, there is an achievement of 102385 lines in the North-Eastern Region. However, during 2003-04 against a target of 45000 in Fixed and WLL lines, Assam circle was able to achieve 23560 lines in the area. The main reasons behind the shortfall were non-supply of underground cables and non-availability of adequate quantities of equipment (specially FWTs), apart from insurgency in some parts of the State.

36. The shortfall in OFC target for North-East region was marginal. Against a target of 1800 RKm, the achievement was 1708 RKm due to insurgency in some parts of the region. North East – I and North-East – II Circles exceeded the VPT targets for the year 2003-04. However, Assam Circle could not achieve the VPT target, the main reason being the non-availability of sufficient quantity of cordect equipment from ITI.

37. The Committee asked about the measures initiated to ensure achievement of targets earmarked for 2004-2005 in DELs (3,92,900 lines), OFC (1,000 Rkms) and VPTs (6,470) in the North-East region including Assam. The Department replied that orders for around 4 million CMTS capacity (1.5 lakh line for NE region) has been placed for the entire country and the network is under rollout in all the circles including North East region. Further expansion is planned from the country wide tender for 11 million lines (4.5 lakh for NE region) which is under final stages of evaluation.

38. Additional WLL equipment including FWTs are being procured for North-East region to meet the VPT targets for the current year. Digital Satellite Phone Terminals shall be deployed in remote and far flung areas of this region where terrestrial technology is not feasible subject to availability of funds in time from the Government.

39. In respect of OFC, advance action has been initiated for procurement and is being closely monitored. It is expected that the targets will be achieved.

40. From the statement pertaining to the Tribal Sub Plan (TSP), it is seen that as against the target of 3,00,000 lakh lines in Switching Capacity under TSP, the achievement was 2,94,680 lines during the year 2003-2004. Similarly, in DELs the target and achievement for the same year was 2,70,000 lines and 2,34,114 lines respectively.

In Satellite Stations the target was 20 and the achievement was 16. On being asked to state the reasons of shortfalls, the DoT stated in their reply that the shortfall in Switching Capacity was marginal (only 5,320 lines in a total capacity of 3,00,000 lines). The demand was met in respect of DELs subject to limitations of coverage by WLL. The target in satellite systems was planned to provide quick connectivity of far-flung tribal areas. However, based on detailed survey, the connectivity was provided by optical Fiber systems as can be seen by the very high achievement figures of OFC (2210 RKM against a target of 600 RKM).

41. Regarding strategy chalked out to optimally achieve the target under TSP during the year 2004-2005, the Committee were informed that Tribal Sub Plan was a part of the main Plan and BSNL hoped to achieve all the targets.

42. The Committee then pointed out that under TSP no target was fixed in Telephone Exchanges and VPTs for the year 2003-2004, but the achievement was shown as 66 Telephone Exchanges and 3,082 VPTs. The Committee asked when no target was fixed in the above two schemes, how BSNL, on its own, went ahead in providing 66 Telephone Exchanges and 3,082 VPTs. In reply, the Department stated that the demand in the tribal areas was proposed to be met by expansion of the existing Telephone Exchanges. However, due to the scattered demand, some new Exchanges had to be opened. Regarding VPTs it was stated that while BSNL had not fixed any formal targets, it went ahead in providing VPTs based on the demand to provide telephone services in tribal areas.

**(iv) Performance of Private Operators**

43. The following information showing the total number of villages in the Country and the number of VPTs provided by BSNL and the Private Operators as on 31 March, 2004 was furnished to the Committee:

Sl. No.	Name of the Unit	No. of Villages	BSNL 2004	Private 2004	TOTAL VPTs 2004
1	Andaman & Nicobar	201	198	0	198
2	Andhra Pradesh	29460	23419	1408	24827
3	Assam	24685	19379	0	19379
4	Bihar	41077	38475	0	38475
5	Chhattisgarh	19720	14665	0	14665
6	Gujarat	18125	11214	4114	15328
7	Haryana	6850	6811	0	6811
8	Himachal Pradesh	16925	16587	0	16587
9	Jammu & Kashmir	6764	4786	0	4786
10	Jharkhand	31703	26904	0	26904
11	Karnataka	27066	27066	0	27066
12	Kerala	1468	1468	0	1468
13	Madhya Pradesh	51806	37601	611	38212
14	Maharashtra	42467	31541	2643	34184
15	North East – I	7125	4189	0	4189
16	North East – II	7020	3251	0	3251
17	Orissa	46989	40753	0	40753
18	Punjab	12687	12687	879	13566
19	Rajasthan	39483	23858	3010	26868
20	Tamil Nadu	17899	17899	0	17899
21	Uttaranchal	15610	11729	0	11729
22	Uttar Pradesh (E)	79792	76000	0	76000
23	Uttar Pradesh (W)	23604	21268	0	21268
24	West Bengal	38337	37306	0	37306
25	Kolkata	437	437	0	437
26	Chennai	NA	0	0	0
27	Delhi	191	191	0	191
28	Mumbai	NA	0	0	0
	<b>All-India</b>	<b>607491</b>	<b>509682</b>	<b>12665</b>	<b>522347</b>

44. As is seen from the above, as on 31 March, 2004 out of the 6,07,491 villages in the country, 5,22,347 villages have been provided with telephone facilities, the share of BSNL being 5,09,682 and that of Private Operators being 12,665. In this context, the Committee desired to be apprised of the individual performance of each of the six Private Operators in so far as provision of VPTs is concerned and asked in addition to imposition of liquidated damages what other action was taken against the Private Operators for non-compliance to their contractual obligations. In response, the following information was furnished to the Committee by the DoT:-

**The status of provision of VPT by Private Operators as on 31.10.2003**

<b>VPTs</b>		<b>Bharti Telenet Ltd. Madhya Pradesh</b>	<b>Tata Tele-services Andhra Pradesh</b>	<b>Tata Tele-services Maharashtra Lt.</b>	<b>Reliance Telecom Gujarat</b>	<b>Shyam Telelink Rajasthan</b>	<b>HFCL infotel Punjab</b>	<b>Total</b>
Month of commencement of service		June 1998	March 1999	October 1998	May 2000	June 2000	Sept 2000	
No. of uncovered villages as on 15.8.2000		19168	6096	11091	6911 (4202)#	17338	Nil	60604
No. of VPTs Committed in first 3 years from effective date*		16500	9635	25760	8635	38134	5442***	97806
Cumulative No. of VPTs provided by **	31.3.2001	348	5	Nil	Nil	169	Nil	522
	31.3.2002	348	107	160	2	209	20	846
	31.3.2003	348	1314	2019	3939	1016	831	9467
	31.10.2003	611	1408	2643	4114	3010	879	12665

\* These commitments were to be met by 30.9.1998 in case of AP, Gujarat, Punjab and by 30.9.99 in case of Maharashtra. For MP and Rajasthan the same were to be completed by 30.9.2000 and 4.3.2001 respectively.

\*\* Figures are as reported by the licensees.

\*\*\* As all villages have been covered in Punjab by BSNL, the faulty MARRs are replaced by the private licensees.

# In Gujarat 4202 are the villages which do not have a telecom facility. 2709 villages have phones but not a public phone.



45. It was further stated that six Private Operators who were issued licenses in 1997-98 had roll out obligations for providing Village Public Telephones. As per Clause 3.3(i) of the Basic Service Licence, if all the villages in the service area have been provided with atleast one public telephone by DoT or the Private Operators in such cases this obligation will cease to be applicable. It was further stated that some progress was noticed during the period 2001-2003.

46. As regards imposition of liquidated damages, the Committee were informed that liquidated damage charges to the tune of Rs.53.75 crore had been recovered from six Private Basic Telephone Service Operators for delay in commencement of service as well as delay in provisioning of VPTs and DELs.

47. In response to a specific query, the Secretary, DoT clarified in evidence that the above amount of Rs.53.75 crore which was imposed as liquidated damages upon the Private Operators for their non-performance was the maximum under the license agreements, prevailing at that time. After that, with the migration of these operators to Unified Access Service Licence (UASL), the obligation for rural telephony was not there.

48. The Committee then queried about the fate of rural telephony. The Secretary, DoT submitted:-

“As far as the operators are concerned, since they have a license with no roll out obligation that they are to perform in villages the operators or service providers are led by what is commercially acceptable to them. So, it is true that but for BSNL, most of the private service operators or licence holders are not really moving in the interiors or the villages for providing telephone connections”.

49. The Committee were also informed that all the old licensees, who were granted Licences in 1997-98 and had rollout obligations for provisioning of Village Public Telephones, have migrated to Unified Access (Basic and Cellular) Services License in November 2003. As per clause (ii) of the said guidelines *“The license fee, service area, roll out obligations and performance band guarantee under the Unified Access Services Licence will be same as for Fourth Cellular Mobile service Providers (CMPs)”*. In Telecom Circles, atleast 10% of District Headquarters (DHQs) are to be covered in the first year of the effective date of the license and 50% of the DHQs are to be covered in the first three years of the effective date of the license. The Licensee are also permitted to cover any other town in the district in lieu of the DHQ. Coverage of a DHQ/town means that atleast 90% of the area bounded by the Municipal limits should get the required street as well as in building coverage. The further expansion over and above 50% of the DHQs depends on the Licensee’s business decision. There is no requirement of mandatory coverage of rural areas. The requirements of universal Access in rural areas would now be met from the Universal Service Obligation Fund and Access Deficit charge. The Indian Telegraph Act 1885 has been amended in Jan.2004 to create a Universal Service Obligation fund with retrospective effect from 1.4.2002.

50. All the Basic/Cellular/NLD/ILD operators are contributing 5% of Adjusted Gross Revenue (AGR) towards Universal Service Obligation (USO) Fund as a part of the licence fee.

51. Asked to state whether the burden was not being passed on to BSNL due to non-performance of Private Operators, the Department stated that BSNL was not being burdened as the USO Fund would subsidize the capital costs and operation and

maintenance expenses for the Village Public Telephones which were to be installed in the villages identified as per 1991 census.

52. The Committee then queried about the quota of Private Operators in replacing in VPTs based on Multi Access Relay Radio (MARR) systems. In reply, it was stated by the Department that there was no MARR VPT replacement quota for the Private Operators as per the terms and conditions of the license. MARR VPTs are to be replaced as per the USO policy and no agreement has been entered into with any of the Private Operators by the Administrator, USO Fund for replacement of MARR VPTs.

**(v) WLL & Cellular Capacity**

53. As regards the Wireless in Local Loop (WLL) and Cellular Capacity of and provision by BSNL as on 31 March, 2004 of the following statements were furnished to the Committee.

**WLL EQUIPPED CAPACITY**

Sl. No.	Name of the Unit	As on 31.03.2004		Total (Urban + Rural) WLL Capacity
		WLL Capacity (Urban)	WLL Capacity (Rural)	
1	Andaman/Nicobar	0	4000	4000
2	Andhra Pradesh	70000	59500	129500
3	Assam	1000	55250	56250
4	Bihar	13000	128500	141500
5	Chhattisgarh	25950	56300	82250
6	Gujarat	80000	38250	118250
7	Haryana	57100	0	57100
8	Himachal Pradesh	8000	10500	18500
9	Jammu & Kashmir	3000	6500	9500
10	Jharkhand	11000	63500	74500
11	Karnataka	26500	70250	96750
12	Kerala	44000	157250	201250
13	Madhya Pradesh	29000	71500	100500
14	Maharashtra	48750	158600	207350
15	North East - I	2500	16000	18500

16	North East - II	0	15000	15000
17	Orissa	3000	86500	89500
18	Punjab	86250	3750	90000
19	Rajasthan	23000	106250	129250
20	Tamil Nadu	38000	35750	73750
21	Uttaranchal	8000	29000	37000
22	Uttar Pradesh (E)	37000	194250	231250
23	Uttar Pradesh (W)	30000	63000	93000
24	West Bengal	4000	79000	83000
25	Calcutta	41000	0	41000
26	Chennai	25000	0	25000
	<b>BSNL</b>	<b>715050</b>	<b>1508400</b>	<b>2223450</b>

#### STATUS OF WLL WORKING CONNECTIONS

Sl. No.	Name of the Unit	As on 31.03.2004		
		WLL (Urban)	WLL (Rural)	Total (Urban + Rural) WLL
1	Andaman/Nicobar	0	884	884
2	Andhra Pradesh	29676	33027	62703
3	Assam	1624	14436	16060
4	Bihar	6918	81737	88655
5	Chhattisgarh	9222	29521	38743
6	Gujarat	8314	12572	20886
7	Haryana	21214	0	21214
8	Himachal Pradesh	390	7857	8247
9	Jammu & Kashmir	3436	3683	7119
10	Jharkhand	2913	34149	37062
11	Karnataka	27342	25179	52521
12	Kerala	13398	50586	63984
13	Madhya Pradesh	13207	59001	72208
14	Maharashtra	25160	38439	63599
15	North East - I	830	7183	8013
16	North East - II	0	7879	7879
17	Orissa	1145	44364	45509
18	Punjab	7297	2326	9623
19	Rajasthan	42534	15866	58400
20	Tamil Nadu	10604	14971	25575
21	Uttaranchal	2709	15099	17808
22	Uttar Pradesh (E)	22428	75297	97725
23	Uttar Pradesh (W)	16138	27745	43883

24	West Bengal	1476	33162	34638
25	Calcutta	29729	0	29729
26	Chennai	26125	0	26125
	<b>BSNL</b>	<b>323829</b>	<b>634963</b>	<b>958792</b>

**CELLULAR CAPACITY & CONNECTIONS**

Sl. No.	Name of the Unit	As on 31.03.2004	
		Cellular Capacity	Cellular Connections
1	Andaman/Nicobar	6000	6087
2	Andhra Pradesh	595600	567877
3	Assam	35263	26211
4	Bihar	148050	155175
5	Chhattisgarh	31950	32072
6	Gujarat	459750	482113
7	Haryana	139316	192464
8	Himachal Pradesh	46522	72625
9	Jammu & Kashmir	37200	40100
10	Jharkhand	103502	102478
11	Karnataka	340000	330196
12	Kerala	326585	373752
13	Madhya Pradesh	105400	120839
14	Maharashtra	495300	610471
15	North East – I	12932	12160
16	North East – II	14000	8104
17	Orissa	129900	163544
18	Punjab	345300	294317
19	Rajasthan	191700	221387
20	Tamil Nadu	410000	400137
21	Uttaranchal	70550	85432
22	Uttar Pradesh (E)	284300	345221
23	Uttar Pradesh (W)	223481	295266
24	West Bengal	147350	168135
25	Calcutta	30000	26401
26	Chennai	131000	121553
	<b>BSNL</b>	<b>4860951</b>	<b>5254117</b>

54. It is seen from the above statements that the WLL equipped capacity of BSNL is 22,23,450, the break-up being 71,50,50 in urban areas and 15,08,400 in rural areas. But as on 31 March, 2004 only 9,58,792 WLL connections have been provided out of which

3,23,829 are in urban areas and 6,34,963 in rural areas. Similarly, although the cellular connections of BSNL have exceeded its capacity as a whole as on 31 March, 2004, yet in some individual Circles the connections have fallen short of the capacity. For example, in North-East-II the capacity is 14,000 whereas the number of connections given are 8,104; in Punjab and Chennai the Capacity and connection ratio is 3,45,300:2,94,317 and 1,31,000:1,21,553 respectively. In this context, the Committee asked about the reasons for glaring under utilisation of BSNL's WLL installed capacity in almost all the Circles and under-utilisation of Cellular Capacity in some of the Circles. In reply it was stated that due to late receipt of equipment, most of the equipment was installed during Feb./ Mar. 2004. Hence, the equipment capacity could not be fully utilized. However, there has been gradual improvement in utilization capacity.

55. The WLL capacity is mainly meant for meeting the scattered rural demand which cannot be met economically by conventional landline systems. The low scattered demand is one of the reasons for poor utilization of capacity which is fixed for a BTS(500/750), as well as non availability of electric supply in villages which is required to charge the FWTs.

56. The Committee were further informed that by and large, the capacity utilization has been quite high. However in some circles, the utilization appears to be low. North East-II Circle comprises the state of Manipur, Nagaland, Aunanchal Pradesh. Prolonged strike of transporters in Assam, gateway for transportation during October to December 2003 resulted in delay in supply of material to all the three states, which had contributed to the delay in commissioning of systems. Further, in the state of Manipur, life was disrupted due to insurgent activities.

57. In Chennai, BSNL's deployment as part of countrywide network was delayed due to the C-DOT pilot project. The target of 1 lakh line in 2003-04 was however exceeded. The loading is more than 90% of the capacity.

58. In Punjab, BSNL faced stiff competition due to strong presence of three private cellular operators.

**(vi) Waiting List**

59. The following information showing BSNL's equipped capacity (fixed), number of DELs (wired) provided, waiting list in various Circles and waiting list as percentage of DELs as on 31 March, 2004 was furnished to the Committee.

**UNIT-WISE STATUS (TELEPHONES)  
FIXED PHONES**

Sl. No.	Name of the Unit	As on 31.03.2004			
		Equipped Capacity (Fixed)	Direct Exchange Lines (Wired)	Waiting List (Fixed)	Waiting List as % of DELs
1	Andaman/Nicobar	55400	37322	151	0.4
2	Andhra Pradesh	4087185	3152324	51934	1.6
3	Assam	656725	497001	15797	3.2
4	Bihar	1205772	865792	112465	13.0
5	Chhattisgarh	395505	286424	2118	0.7
6	Gujarat	3769624	2754504	58847	2.1
7	Haryana	1508284	1119354	81657	7.3
8	Himachal Pradesh	633122	468546	44935	9.6
9	Jammu & Kashmir	377768	281531	39704	14.1
10	Jharkhand	601736	435156	8143	1.9
11	Karnataka	3424405	2699539	89730	3.3
12	Kerala	3835532	3194180	419762	13.1
13	Madhya Pradesh	1676668	1283646	17300	1.3
14	Maharashtra	5070498	3882353	159004	4.1
15	North East - I	268286	196986	5975	3.0
16	North East - II	202932	148669	5387	3.6

17	Orissa	933136	735199	27713	3.8
18	Punjab	2761521	2013234	92284	4.6
19	Rajasthan	2291244	1752820	138019	7.9
20	Tamil Nadu	3556829	2841521	58995	2.1
21	Uttaranchal	488736	353005	5729	1.6
22	Uttar Pradesh (E)	2296906	1651620	101771	6.2
23	Uttar Pradesh (W)	1729792	1235747	43670	3.5
24	West Bengal	1554997	1181679	144226	12.2
25	Calcutta	1609199	1356830	22720	1.7
26	Chennai	1345079	1010655	6929	0.7
	<b>BSNL</b>	<b>46336881</b>	<b>35435637</b>	<b>1754965</b>	<b>5.0</b>

60. It may be seen from the above statement that as on 31 March, 2004 there were 17,54,965 people all over the country waiting for telephone connections out of whom 4,19,762 were in Kerala, 1,59,004 in Maharashtra, 1,44,226 in West Bengal, 1,38,019 in Rajasthan, 1,12,465 in Bihar, 92,284 in Punjab and 89,730 in Karnataka. In some other Circles like Andhra Pradesh, Gujarat, Himachal Pradesh, Tamil Nadu and Uttar Pradesh (East) the waiting list was also high. The Committee asked about the reasons for Kerala still heading the waiting list and the measures taken/proposed to reduce the waiting list to the minimum extent possible in the above mentioned Circles. In reply, it was stated that BSNL in Kerala has one of the highest tele-density (more than 11) and lowest revenue per DEL (Rs.475/- per month). The traffic is mostly incoming. This is probably due to large expatriate population from the state. Thus, the high demand and consequent waiting list appears to be receiving the calls. Nevertheless, BSNL has planned to provide more than 10 lakhs phones in 2004-05, which is highest for any state in the country.

61. It was further stated that in all the States, most of the waiting list was due to scattered demand in rural areas which could not be met economically with the landline systems. To cater to such demand, connections have been planned on WLL systems, equipment ordering for which has been taken up on priority. With specific target of



clearing the waiting list, the criterion for laying of UG cable has been relaxed to 5 Kms., wherever landline switching capacity is available. Further, for the year 2004-05, specific targets for providing telephones have been fixed which is much more than the waiting list and it is expected the list shall get minimized.

62. When the Committee desired to know whether with the abovementioned measures waiting list would be reduced to a great extent, the CMD, BSNL replied that even with all the measures that the Company had been taking, certain rural areas would still remain unconnected due to the topographical constraints and non-availability of electricity.

***(vii) Fault Rate***

63. Asked to state the Fault Rate of BSNL as on 31 March, 2004, it was replied that as on that date fault rate in BSNL network was 8.4 per 100 stations per month. Regarding measures taken to reduce the fault rate, it was reported that the following measures have been initiated to bring down the fault rate further and improve the network:-

- (i) Creation of pole less network to reduce drop wire which constitutes about 60% of the faults.
- (ii) Replacement of underground paper core cables by jelly filled cables in phased manner.
- (iii) Life of telephone instruments is considered 5 years for replacement instead of 10 years earlier.
- (iv) Opening of more and more remote line units thereby reducing area to be served by each exchange with a corresponding reduction in the size of the outdoor plant.

- (v) Introduction of Wireless in Local loop, Digital Line Concentrators etc. to eliminate the need for underground cable.
- (vi) Pagers to line staff/ field staff wherever feasible, for maintaining the system.
- (vii) Interactive Voice Response system (IVRS) based centralized fault booking at Short Distance Charging Center (SDCC).
- (viii) Further expansion is mainly through WLL and CMTS phones which are much less prone to faults.

**(viii) Outstanding Arrears**

64. In response to a query regarding Outstanding Arrears, it was stated that the total outstanding dues of telephone bills of BSNL and MTNL, as 31 March, 2004, was Rs.4,968.50 crore, circle-wise details of which is as follows:-

<b><i>Name of the Circle</i></b>	<b><i>Amount Rs. in lakhs</i></b>
ANDAMAN & NICOBAR	828
ANDHRA PRADESH	39206
ASSAM	10525
BIHAR	18782
CALCUTTA	23794
CHATTISGARH	4696
CENNAI	13019
GUJARAT	23383
HARYANA	11031
HIMACHAL PRADESH	1488
JAMUU & KASHMIR	6149
JHARKHAND	10400
KARNATAKA	22203
KERALA	3981
MADHYA PRADESH	15922
MAHARASHTRA excluding MUMBAI and including GOA	36244
NORTH EAST-1 (Tripura, Mizoram and Meghalaya)	5530
NORTH EAST-II (Arunachal Pradesh, Manipur and Nagaland)	21187
ORISSA	8240
PUNJAB	19759
RAJASTHAN	5504

TAMIL NADU	11647
UTTAR PRADESH (East)	40072
UTTAR PRADESH (West)	13533
UTTARANCHAL	2052
WEST BENGAL including Sikkim	11529
MTNL, DELHI	75127
MTNL, MUMBAI	41019
<b>Total (in crores)</b>	<b>4,968.50</b>

65. On being asked to state the measures taken to recover such huge outstanding dues, it was stated by the Department that recovery of outstanding dues was a continuous process and the following efforts were made to realise them:-

- (a) The phones of defaulters are disconnected when their dues are unpaid.
- (b) Targets for liquidation of outstandings is set and performance monitored against them each year.
- (c) High Power Committees and Liquidation Boards have been set up to facilitate liquidation of dues.
- (d) The collection efficiency is monitored each month.
- (e) Outstanding Pursuit Cells are functioning at Headquarters and Circle levels.
- (f) Where necessary, after disconnection of telephones, legal action is also initiated for recovery of the dues.

66. The Committee then asked about the policy of writing off the outstanding dues of customers and the number of cases where such dues have been written off and the amount involved therein. The Committee were informed that the main criterion for the write off of dues involved cases where:-

- (a) Very petty amounts are outstanding in which pursuit would be uneconomical through lawsuits.

(b) Whereabouts of subscribers are not known or the subscribers are proved to be insolvent.

(c) Closure of the subscriber's firm or concerns has occurred.

67. The Committee were further informed that during the last two years, in 362889 cases Rupees 53.60 cr. was written off by BSNL.

68. Expressing its serious concern over the huge amount of outstanding dues, the Committee asked whether any periodical review/monitoring was being done in this regard. The Secretary, DoT replied:-

"We are doing it every month".

**(ix) Customer Interface**

69. In response to a query by the Committee regarding measures taken by BSNL to provide hassle-free service to retain its old customers as well as to attract new ones, it was replied that some of the measures taken in that direction were as follows:-

- (a) As a part of customer retention, attention is being paid for making the staff more responsive to the grievances of the customers. Behavioral training is imparted at all levels in all the Circles.
- (b) For retaining the fixed line customers and attract new customers, additional services like SMS, CLI are being provided.
- (c) Local and all India shift are being provided free of charge.
- (d) Additional Customer Service centers have been opened to provide single window interface to the customer.
- (e) MOUs are being signed with major corporates for retaining them and providing all type of services on priority.

**(B). MAHANAGAR TELEPHONE NIGAM LIMITED (MTNL)**

**(i) Financial Allocation and Utilisation**

70. The Committee were informed that in the BE 2002-2003, MTNL was provided a sum of Rs.3,994 crore which was reduced to Rs.2,180 crore at the RE level. The actual achievement during that year was Rs.1,053.91 crore only. The Committee desired to know the reasons of lower expenditure by MTNL during the year 2002-2003. In reply, the DoT stated that under achievement on the part of MTNL was due to the fact that the Company could not get license for operation in other service areas in the country and therefore expenditure on national acquisitions could not be made. Secondly, expenditure on International Long Distance (ILD) could not be made due to non-availability of license. Moreover, some expenditure on Code Division Multiple Access (CDMA)/Global Satellite Mobile (GSM) expansions projected for 2003-2004 would actually be incurred in 2004-2005.

71. Regarding the position in the year 2003-2004 in this regard, the Committee were informed that 2003-2004 BE provided a sum of Rs.2,284 crore which was curtailed to Rs.1,646 crore at the RE stage. The actual achievement in that year was Rs.965.91 crore. Asked to explain the reasons for shortfalls in expenditure during the year 2003-2004 also, it was stated that initially the expenditure plan in switching which included TAX/Tandem, Access lines, CDMA/WLL, GSM Mobile etc. was Rs.800 crore. This was increased in RE to Rs.1205 crore as some additional expenditure was anticipated in GSM Technology. However, the actual expenditure finally was Rs.951.66 crore which was more than the original budget estimate. For IT related services, an expenditure of only Rs.9.78 crore could be incurred since a major portion of expenditure was planned for

Convergent Billing which could not be incurred. The reason for this was that a number of queries were received from vendors due to which the tender could not be finalised. A sum of Rs.100/- crore was earmarked for expansion in new service areas abroad and national acquisition out of which only 4.47 crore could be spent as MTNL had made ambitious plans for acquisitions which could not be materialized.

72. A Perusal of the budget document also revealed that in IT related services the BE 2004-2005 has been reduced to Rs.76 crore from the RE 2003-2004 amount of Rs.137 crore. Similarly, under the ILD scheme the 2003-2004 RE amount of Rs.100 crore could not be spent, but despite that Rs.400 crore has been provided for the same scheme during the year 2004-2005. In the context, the Committee desired to know the reasons of budgetary reduction in IT services for the year 2004-2005 and asked whether MTNL would be able to spend Rs.400 crore as earmarked for ILD scheme. It was replied that the amount for IT related services was reduced to Rs.76 crore in the year 2004-2005 keeping in view the time required in finalisation of convergent billing tender due to many vendor queries.

73. Regarding ILD scheme, it was stated that in the BE of 2003-2004 the amount of Rs.100 crore had been assigned for 'International Long Distance Operations' but could not be spent because the required licence was not issued to MTNL. In the BE of 2004-2005, under the head 'International Long Distance Operations' MTNL has not provided any amount as the licence for ILD has not been issued. Infact Rs. 400 crore has been provided for new service Areas abroad. Regarding the licence, Department of Telecommunications has issued Letter of Intent (LoI) to MTNL for the same and MTNL

has submitted the required Bank Guarantee in this regard. An amount of Rs.25 crore has been paid as licence fee for ILD services to Department of Telecom and additional amount of Rs.30 crore is estimated to be incurred for setting up of the ILD operations. In addition Performance Bank Guarantee of Rs.25 crore has also been paid to DoT for roll-out obligations of ILD services.

74. In the BE of 2004-2005, MTNL has been provided Rs.400 crore under the head 'Expansion of New Service Areas abroad and National acquisitions'. A subsidiary, Mahanagar Telephone Mauritius Limited (MTML), with authorized capital of Rs.100 crore and initial paid-up capital of Rs.50 crore has been formed. MTNL has been awarded a licence to operate Fixed, Mobile and ILD services. An expenditure of Rs.6.4 crore on payment of licence fee and an additional expenditure of about Rs.40 crore has been planned for creation of network. Further, MTNL had plans to invest in Kenya, Sri Lanka, Rwanda, Benin and Madagascar. Budgeted figure of Rs.400 crore shall be reviewed on the basis of outcome of analysis being performed for these networks and other relevant factors in the RE of 2004-05.

**75.** Asked to state whether MTNL would be able to mobilise the entire amount of Rs.2,557 crore as earmarked for the year 2004-2005, it was replied in the affirmative.

**(ii) Physical target and achievement**

76. As regards the Physical target and achievement of MTNL during the year 2003-2004 and target set for the year 2004-2005, the following information was furnished to the Committee.

Sl. No.	Name of the scheme/project	2003-04			2004-05
		Targets			Targets
		BE	RE	Achievement	BE
1.	Net new connections incl WLL and cellular connections (Lakhs)	3.50	3.50	-1.48 \$	5.00
2.	Net switching capacity incl capacity for WLL and GSM(Lakhs)	4.00	4.00	3.25	9.20
3.	TAX/Tandem Capacity (Lakhs)	0.50	0.50	0.81	2.08
4.	DLCs (Nos)	200	200	122	470
5.	Optical Fibre Cable (in Fibre kms) (in Route Kms)	20000	20000	33618.310	20000
6.	Replacement of E10B Exchanges (Lakhs)	3.95	3.25	3.02	4.63
7.	IT based services Internet (Lakhs)	-	-	5.26	-
8.	PCUT cable replacement (LCKM) *	-	-	4.7947	-

\$ Reasons for negative growth during 2003-04 is migration of fixed surrender to mobile and lack of sufficient capacity in mobile service of MTNL. The services are likely to grow with the expansion of GSM & CDMA services, which is under way. MTNL is also facing maximum competition since the areas of operation are the two very important cities of Delhi & Mumbai.

\* Does not appear as a separate item in Annual Plan.

77. As may be observed from the above table that achievement of MTNL in net new connections including WLL and cellular connections was minus 1,48 lakh lines out of the target of 3.50 lakh lines during the year 2003-2004. Reasons for such negative growth were stated to be surrender and migration of fixed phone subscribers to mobile phones as well as lack of sufficient capacity in mobile service of MTNL. It was also stated that



MTNL was facing maximum competition since the areas of operation were the two very important cities of Delhi and Mumbai.

78. In this regard, the Committee asked why MTNL could not anticipate the problem of surrender and migration and why timely measures were not taken to increase the capacity more so when the telecom sector was thrown open to competition. In reply, the Department stated that MTNL had anticipated the need to enter into Mobile service well in time. However, earlier, the DoT had granted license to only two operators in each metro city. In this regard agreement was held on 11.12.2002. for MTNL to enter into CDMA based Limited Mobile and GSM based mobile service in year 2000-2001. The initial capacity deployed was one lakh each in Delhi and Mumbai for GSM and 50,000 each in Delhi and Mumbai for CDMA. This capacity was felt sufficient at that time keeping the growth rate in mind. However, due to a very competitive and cost effective service introduced by MTNL, the service became very popular and affordable and there was unexpected increase in growth due to which the capacity deployed was exhausted quickly.

79. MTNL had expanded capacities of GSM Mobile service by 1,25,000 each in Delhi and Mumbai and CDMA by nearly 100,000 lines each in Delhi and Mumbai. At the same time MTNL had also planned for further expansion of both GSM and CDMA by 400,000 lines each in Delhi and Mumbai. The orders for same have also been finalised and placed and equipment for GSM is already under installation while that for CDMA is expected shortly.

80. It was further stated that MTNL was making all possible efforts to meet the competition in Delhi and Mumbai. The growth is expected to pick up once again as soon as the expansion of GSM and CDMA by 400K each in Delhi and Mumbai is completed.

81. The Committee specifically desired to know the number of MTNL subscribers, both fixed and cellular, who have either migrated to other operators or surrendered their telephones during the last two years. It was replied that the data about migration of MTNL subscribers to other operators was not available.

82. Clarifying the point the Secretary, DoT stated during evidence:-

*“On the issue of surrender, a study has been done in Mumbai. There is a Report, which is quite plausible and there is a migration of 40 per cent which has been shown in the nature of surrender. People did move from MTNL to private operators, the tariff structure was also responsible for surrender”.*

83. The Department in a written note has stated that in Delhi, 93,882 cellular (GSM & CDMA) and 2,36,810 landline subscribers had surrendered their telephones during the years 2002-2003 and 2003-2004. Similarly in Mumbai, during the corresponding period 35,651 cellular (GSM & CDMA) and 2,91,037 landline subscribers had surrendered their telephones.

84. In evidence, the Committee asked whether such large scale surrender of telephones had anything to do with the quality of service rendered. The Secretary, DoT responded that the tariff structure was responsible for it and admitted that such surrender particularly from the commercial houses and those who were good paymasters did not auger well for MTNL.

85. Pressed to elucidate the quality aspect, the Secretary, DoT candidly admitted:-  
*“We have to improve the quality of service. We have to be commercially as alive and competitive as the Private Operator. That is the paradigm shift that must take place. It is not satisfactory. I own responsibility for it”.*

**(iii) Fault Rate in MTNL**

86. Asked to state the fault rate of MTNL, Delhi and Mumbai separately as on 31 March, 2004 and measures taken to reduce the same, the Department informed the Committee that the cumulative fault rate of MTNL, Mumbai unit for the whole year 2003-2004 was 8.79 per 100 stations per month and 6.92 per 100 stations per month in March, 2004 and the fault rate of MTNL, Delhi as on 31 March, 2004 was 12.28 per 100 stations per month.

87. During evidence, the Committee enquired as to whether high fault rate would result in customers migrating to Private Operators. The CMD, MTNL responded:-

*“We accept that we are losing customers. We are trying to prevent that ..... the only problem we have got is the legacy of network in terms of land cables whereas other operators have come out with the wireless where the fault rates are definitely low. Once our pie increases in terms of wireless network, faults will further come down”.*

88. To a specific query as to the reasons of inferior quality of service provided by Government owned undertakings, the Secretary, DoT during evidence replied that the Government tender system was such that it took more than two to three years to finalise the same and by the time equipment procured/installed, the technology remained behind

whereas the procurement in Private Sector was such that they could take decision across the board.

**(c) ITI Ltd.**

89. The Committee were informed that during the year 2003-2004, ITI was able to achieve only 16 per cent of the financial target i.e. Rs.10.86 crore against the target of Rs.70 crore. Reasons for such shortfalls were stated to be restricted expenditure due to financial constraints, limited/debarred expenditure due to change in product technology and regulated expenditure depending on actual requirements.

90. In this context, the Committee asked whether ITI had not been able to substantially diversify its product range and whether regulated expenditure depending on actual requirements could be construed as on unrealistic assessment for the year 2003-2004. In reply, the Department stated that it was not true that ITI has not been able to substantially diversify its products range. During the year 2004-05, ITI propose to acquire technology for manufacture of equipments for a wide range of products. This is a part of the Revival Plan drawn up for the Tenth Plan period. The product plan envisages entry into diversified areas such as:

- i) Mobile communications in both GSM and CDMA.
- ii) IP based switching and TAX equipments.
- iii) Turnkey networks for Defence and other private and public networks.
- iv) Satellite based communications in cooperation with BSNL
- v) Broadband services based on DSL technology.
- vi) Focus on non-telecom product diversification such as mechanized products for Banking sector, products for Defence sector, products on Railway

communication and safety, equipments for energy saving and power sector, smart card based applications besides outsource manufacturing.

91. It was also stated that non-achievement of financial targets for the year 2003-2004 by ITI was mostly due to the following:-

- i) Expenditure restricted due to financial constraints in the areas such as:
  - a) Upgradation of SMT line.
  - b) Upgradation of Plant for manufacturing.
  - c) Investments on R&D
  - d) Investments on equipment for Smart/SIM cards and investments in upgrading services.
- ii) Expenditure being limited/deferred due to change in product technology on projects such as:
  - a) DLC-SDH where specification were revised.
  - b) Product such as TAX and DC DC Converters.
- iii) Expenditure regulated depending on actual requirements for the projects such as:
  - a) CSN-MM where there was substantial fall in demand.
  - b) Approval of TOT agreement for CDMA technology remained awaited from Government.
  - c) ADSL technologies where orders could not be finalised.

92. The Committee then enquired whether Rs.10 crore, as earmarked for ITI's R&D activities, would be sufficient to enable the Company to carry out such activities. It was

replied by the Department that the earmarked amount of Rs.10 crore in the plan 2004-2005 would be sufficient to carry out its activities as the Company's in-house R&D would be limited due to ITI's Plan for Transfer of Technology (ToT) from reliable sources in the major technologies like GSM, CDMA, ADSL, Soft Switch etc.

93. The Committee were informed that as per IEBR projection for RE 2003-2004 and BE 2004-2005, the production target of ITI was Rs.2,296 crore (including Excise Duty) and 2,752 crore (including Excise Duty) with a loss of Rs.231 crore and Rs.122 crore respectively. The Committee asked about the reasons for ITI again recurring losses even after a turn around 2/3 years back. It was informed that M/s.ITI incurred losses during 2002-2003 and 2003-2004 due to the following reasons:-

- a) The Company did not switch over in time to manufacture newer types of equipments leading to technology obsolescence.
- b) Shift in market preference from fixed lines to mobile lines. Due to this, the requirement of fixed lines of major operators i.e. BSNL/MTNL change from fixed lines to WLL/GSM products. Due to this change ITI had very little value addition.
- c) The Company's Order book position was very low. This resulted in low orders in respect of OCB-CSN, OCB-TAX and sales through regional offices. BSNL plan for procurement of 1500 KL of GSM was also delayed resulting in orders being placed very late which resulted in execution of the orders during 2004-2005.
- d) Manufactured products in the Company has come down over the years. During 2002-2003 manufactured products was 40% of Value of production [VOP]. This reduced further to 29% of VOP during 2003-2004.

- e) Consequent upon manufacturing products coming down the major production of the Company was from trading. During 2002-2003, trading was 60% of WIP [work in progress] which increased to 71% of VOP during 2003-2004. Due to major production coming from trading, material cost increased to 72% of VOP in 2002-2003 and further increased to 83% of VOP in 2003-2004 resulting in very little value addition.
- f) The Company has heavy financial burden due to outstanding borrowings standing at Rs.1758 Crores.
- g) Surplus manpower of 7024 as on 31.3.2004.
- h) High fixed overheads amounting to Rs.760 Crores.

94. Asked to enumerate the measures taken by DoT to bail out ITI from the precarious financial condition and preventing it from being referred to BIFR, the Department stated that DoT had rendered the following assistance to ITI.

- a) Induction of preference share capital by MTNL for an amount of Rs. 100 crore during March, 2002 and Rs.200 Crores by BSNL during March 2003.
- b) Reservation quota orders up to 30% for procurements done by BSNL/MTNL for the products manufactured by ITI.
- c) Advance payment of 75% of the purchase orders against the above reserved quota orders.
- d) Government has announced a revival package of Rs. 508 crores in the ongoing Budget Session.
- e) Waiver of Government of India loan interest Rs.20.74 Crores.
- f) Interest subsidy have been provided to the amount raised by the Company for funding VRS.

- g) Losses incurred by Srinagar unit of ITI are being reimbursed.
- h) Government guarantee to the Company for raising funds for giving VRS to its employees.
- i) Approval given for TOT transfer from M/s Alcatel for manufacture of GSM.
- j) Speedier settlement of debtors from BSNL/MTNL.
- k) Committee appointed for speedy settlement of financial issues.

95. The Committee then desired to know the fate of Revival Plan for ITI as submitted to the Government. In response, it was stated that the Revival Plan of M./s ITI has been examined in consultation with Dept. of Public Enterprises, Planning Commission and Dept. of Expenditure, Ministry of Finance. And following action has been taken:

- a) Government guarantee was provided to the Company for raising funds from the market for VRS for an amount of Rs. 180 crore during the year 2003-04.
- b) Government guarantee was also provided to the company for Rs. 238 crore as a bridge loan for raising money. Out of this, Rs. 120 crores is for funding VRS to 2400 employees in first phase during 2004-05 and Rs. 118 crores for working capital for 2004-05.
- c) Hon'ble Minister of Finance has also announced a package for an amount of Rs. 508 crore during the on going Budget Session. In addition provision of grant for Rs. 64.85 crore to meet PF default dues is also under examination.

96. Referring to their last year's Report on Demands for Grants (2003-2004) wherein the Committee were informed that ITI badly needed Rs.182 crore as VRS compensation already incurred, Rs.390 crore to support VRS for around 7,000 employees in the year 2003-2004 and Rs.200 crore as equity infusion, the Committee asked whether the



Company had already received the above mentioned financial assistance from the Government. In reply, the Department stated that Rs.338 crore, which included Rs.182 crore amount incurred upto 2002-2003 and Rs.156 crore for the year 2003-2004, had been provided for reimbursement of VRS expenditure incurred upto March, 2004. For the year 2004-2005, an amount of Rs.120 crore has been provided for VRS expenditure. This amount is likely to be provided to the Company during 2004-2005. Further, equity infusion for an amount of Rs.200 crore has already been made by BSNL during March, 2003.

97. In response to another specific query as to the line of action by both DoT and ITI to prevent the Company from going into debts again, it was replied that the Department of Telecommunications (DoT) along with ITI would closely monitor so that:-

- i) The turnover of ITI Limited is maximized.
- ii) Material cost to value of production is brought down.
- iii) Project management in the Company is made more efficient and time bound.
- iv) Diversification to turnkey service business is sustained.
- v) Manufacturing the core competence in the Company is regained.
- vi) Surplus manpower is further reduced in order to bring down the fixed cost.

Progress of M/s ITI is being reviewed at the level of Secretary, DoT at regular intervals by holding joint meetings with Defence, BSNL, MTNL to enable to sort out the problems between these units.

98. In evidence the Committee desired to hear the views of the Secretary, DoT in this regard. He responded that the immediate objective of the Department was to ensure that

ITI did not go to BIFR, because it was the only Company which had some semblance of manufacturing indigenous telecom equipment apart from one or two Private Companies which were doing it at a very small level. He added:-

*“The challenge before us is to somehow see that it (ITI) takes on manufacturing and starts (supplying) beyond BSNL/MTNL”*

99. Regarding the initiatives taken by the Company itself, the CMD, ITI Ltd. submitted:-

“The commitment that we are making through the revival plan to the Government is that we will be acquiring all necessary technologies which will bring us in line with whatever is the contemporary status of the technology. We have already acquired them..... It brings us at par with any telecom manufacturer anywhere..... We are also trying to get business not only from BSNL, MTNL but also from non-PSU operators”.

100. It was seen from a statement furnished to the Committee that ITI had fallen short in achieving the physical targets in Switching Products, Transmission equipment etc. during the year 2003-2004 due to inadequate orders, late receipt of orders, and no orders at all.

101. The Committee then asked about the steps taken by ITI to optimally achieve the physical targets in various schemes during 2004-2005 and the help rendered by DoT in this regard. The Department of Telecommunications stated that ITI had got orders for an amount of Rs. 1325 crore and Company is likely to get total orders to the tune of Rs.2500 crore during the year against the Plan of Rs. 2752 crore. Company is hopeful to achieve these targets.

102. DoT has taken up the matter with concerned authorities for providing the following assistance to M/s ITI:-

- i) Allotment of 1 Million of GSM equipment by BSNL for West Zone.
- ii) With Defence for more orders for various Defence equipments.
- iii) With Reserve Bank of India for orders for Bank mechanization equipments from the Nationalised Banks.

**(D). CENTRE FOR DEVELOPMENT OF TELEMATICS (C-DOT)**

103. The following information showing the Grants-in-aid allocated by the Government, grants actually released, internal budget projections etc. for C-DOT for the year 2003-2004 was furnished to the Committee:-

- (i) Grant-in-aid allocated by the Government (both in the BE & RE in the year 2003-04) = Rs. 38.66 crores
- (ii) Grants actually released by Government after the RE stage for financial year 2003-04 and fully utilized by C-DOT = Rs. 47.66 crores
- (iii) Internal Budget Projections of C-DOT for the year (including grant-in-aid) = Rs.155.35 crores
- (iv) Expenditure (provisional) incurred by C-DOT = Rs.126.60 crores
- (v) Short fall in C-DOT internal financial targets (iii)-(iv) = Rs. 28.75 crores
- (vi) Expenditure met from C-DOT other sources (iv)-(ii) = Rs. 78.94 crores  
Including money available for LC commitments,  
reimbursements from field, manufacturers, TOT/Royalty etc.

104. Similarly the projections for the year 2004-2005 are as under:-

- (i) Grant-in-aid allocated by Government = Rs. 81.38 crores
- (ii) Internal estimated Budget Projections of C-DOT for the year = Rs. 145.61 crores

(iii) Balance (ii)-(i) to be met from other resources = Rs. 64.23 crores  
including money available for LC commitments,  
reimbursements from field, manufacturers, TOT/Royalty etc.

105. As is seen from the first statement, against the financial internal target of Rs.155.35 crore for the year 2003-2004, C-DOT was able to expend Rs.126.60 crore (provisional). Asked to state the reasons for such shortfalls in expenditure during the year 2003-2004, the Department replied that the shortfall was mainly due to campus works which would actually be spent during the first few months of the year 2004-2005 in the form of payment to various contractors.

106. The Committee then asked whether C-DOT would be able to meet the financial target of Rs.145.61 crore as fixed for 2004-2005. The Department stated that C-DOT would be able to meet the financial target for the year 2004-2005. It was further stated that the financial target of C-DOT was fixed keeping in view the budgetary allocation of Rs.81.38 crore in the form of grant-in-aid for the year 2004-2005. However, any shortfall in the grant-in-aid or internal accruals could affect the R&D projects adversely.

107. In this connection, the Committee enquired in that event what would be the sources of funding for C-DOT. In reply, the Department submitted that C-DOT funds would mainly be generated from the new projects, job works and annual maintenance and upgradation of C-DOT technology equipment in the network.

108. The Committee were informed in a written reply that C-DOT had not been able to achieve the target in C-DOT 'Dense Wavelength Division Multiplexing' during the year 2003-2004 due to delayed availability of some components. The Committee asked why timely measures were not taken to avoid delayed supply of materials/components during

2003-2004 and advance steps taken to ensure timely receipt of materials for optimal achievement of 2004-2005 target. In reply, it was stated that material/components on the important projects like Dense Wave length Digital Multiplexing (DWDM) were ordered in time. However, when some materials for the said research project arrived, the same were used as one of the constituents during the development of the DWDM Project. During testing, it was found that the results of the research varied from those anticipated in the technical specifications set for the same. This variation was found to be related to the above said components. Those components were returned to the suppliers who accepted the shortcoming and technically suitable components were obtained from them which finally gave the expected results. In R&D, such things cannot always be anticipated, yet utmost care is being taken for the use of the most suitable components to the extent possible.

109. It was further stated that Research Projects have been re-prioritized and have been made more focused for the year 2004-05. Various planning, monitoring, quality process groups have been made responsible to ensure the timely receipt of the equipment and components to optimally achieve the targets set for 2004-2005.

110. To a specific query of the Committee regarding further improvement in the Research and Development activities of C-DOT, the Secretary, DoT, in evidence, submitted:-

*“Some more updating of that research is required because the common complaint is that by the time C-DOT sells it to the manufacturer and (by the time) the manufacturer has developed the manufacturing ability, the tender specifications of BSNL and the Private Operators have already gone one step ahead”.*

111. As on date C-DOT offices, research laboratories, captive equipment and field trial exchanges have been shifted from five different rented locations in Delhi, which have been fully vacated. The research labs and offices are now operational from C-DOT R&D building at Chhatarpur. Thus as on date C-DOT does not have any other office or laboratory in Delhi other than the R&D building at Chhatarpur.

**(E). TELECOM REGULATORY AUTHORITY OF INDIA (TRAI)**

112. The Committee were informed that the World Bank had approved a loan of US \$62 million for a Project called 'Telecommunication Sector Reforms Technical Assistance Project' to support Department of Telecommunications, TRAI, TDSAT etc. to promote private investment and competition. The Loan Agreement is to close down on 31 December 2004. In view of that, TRAI has sent a request to Department of Telecommunications for extension of the closing date of the World Bank Loan up to 31 March, 2006. Accordingly, Department of Telecommunications has sent a reference to the Ministry of Finance (Department of Economic Affairs) recommending extension of the validity of the ongoing loan up to 31 March, 2006. In this context, the Committee asked about the emerging issues which compelled TRAI to seek extension of time and the response of the Department of Economic Affairs in this regard. The Department stated that the emerging issues which compelled TRAI to seek extension of time were as follows:-

- (a) expansion of cellular infrastructure in rural areas
- (b) revising Universal Service Obligation (USO) policies
- (c) affordability of cellular service in rural areas
- (d) migration to 3 G
- (e) opening up of unrestricted Internet Telephony
- (f) determination of Quality of Service (QoS) parameters

113. In addition, studies are to be conducted on expansion of rural telephone network and issues related to broadcasting and cable services. After closing of existing loan it will be difficult for TRAI to conduct studies on these issues.

114. The Department of Economic Affairs have conveyed that the matter regarding extension of time limit of the loan period in respect of projects for TRAI and TDSAT was taken up with the World Bank. The Bank has asked for orderly closure of the projects with completion of remaining activities. The World Bank has however assured that they are willing to continue a dialogue for development of Telecommunications Sector and on options for accelerated provision for rural connectivity.

115. The Committee then desired to know the alternate sources of fund generation in case of the refusal of the World Bank to accede to the request of TRAI. It was replied that in view of the willingness of World Bank for continuation of dialogue for development of Telecom Sector recently a reference has been received from TRAI for finalizing a fresh loan from World Bank amounting to US \$ 3 million for consultative studies etc. This is being processed in this department.

116. The Committee were informed that out of the above loan of US \$62 million, an amount of US \$4.4 million (Approx. Rs. 20 crore) was allocated to TRAI for the purpose of strengthening its institutional capabilities including provision of training to TRAI staff and carrying out of consultative studies on regulatory issues. But taking into account the loan closing date, TRAI has suggested to the Department of Telecommunications for surrender of an amount of US \$1.9 million as savings. Accordingly, the World Bank has revised the loan allocation to US \$2.5 million for TRAI.

117. The Committee queried about the reasons for TRAI being unable to spend Rs.20 crore in a span of more than four years. It was replied by the Department that in order to conduct consultative studies on various issues relating to Telecom Sector, considerable time was taken in identifying experts of relevant areas. Subsequently, the progress of TRAI's component of World Bank Project was reviewed and taking into account that the closing date of loan period was 31<sup>st</sup> December 2004, TRAI in September 2003 requested for surrender of an amount of US \$ 1.9 million as savings out of the total allocated loan of US \$ 4.5 million. In addition, it may be noted that the additional responsibilities of broadcasting and cable services have been entrusted to TRAI subsequently vide notification dated 9<sup>th</sup> January 2004.

**(F). TELECOM DISPUTES SETTLEMENT AND APPELLATE TRIBUNAL (TDSAT)**

118. A scrutiny of the budget documents revealed that a sum of Rs. 0.87 crore was allocated to TDSAT in 2003-2004 BE and RE under plan expenditure. But the actual expenditure has been Rs. 0.63 crore only. Similarly, under non-plan expenditure the BE and RE 2003-2004 provided for an amount of Rs. 2.13 crore whereas the actual expenditure has been Rs. 1.63 crore only. The 2004-2005 BE provides for Rs. 0.60 crore for plan expenditure and Rs. 2.13 crore for non-plan expenditure.

119. In that context, the Committee wanted to be apprised of the reasons for savings on the part of TDSAT in both Plan and Non-Plan expenditure during 2003-2004 as well as measures contemplated to optimally utilise the 2004-2005 budgetary allocation. In reply, it was stated that the savings of TDSAT in respect of Plan expenditure in 2003-04 was due to the following reasons:



- (i) Under the World Bank assisted project, two study tours to Mexico & USA and Brazil & Argentina were proposed to be undertaken by Chairperson and Members of TDSAT. However due to vacancy against the posts of Member TDSAT, Chairperson undertook the study tour to Mexico and USA alone and the study tour of Brazil and Argentina was postponed to the next financial year.
- (ii) Development of website of TDSAT which is one of the component of the project has been done by NIC free of cost.
- (iii) For the setting up of computerized reference library of TDSAT, 20% of the cost of hardware/software equipment was withheld and will be released during the current financial year i.e. 2004-05 after inspection of equipment.

120. The savings under Non-Plan Head was due to vacancy against the post of Member TDSAT and some vacant posts under different categories. In addition, present Chairperson Justice (Retd) D.P. Wadhwa appointed w.e.f. 1<sup>st</sup> January 2003 was holding additional charge of post of President National Consumer Disputes Redressal Commission (NCDRC) and he was drawing salary from NCDRC till 26<sup>th</sup> October 2003. Further the debit claims towards hotel accommodation and transportation charges arranged by Ministry of External Affairs in respect of tour undertaken by Chairperson and Registrar TDSAT to attend ITU conference at Geneva were not received from that Ministry in 2003-04.

121. The Committee were informed that to optimally utilize the budgetary allocations under the Plan, TDSAT was organising a seminar on the subject of "Disputes Resolution Mechanism in India in Telecom Sector" at Bangalore in August 2004 and another International Seminar in October/November 2004. The study tour of Chairperson,

Members and Sr.functionaries of TDSAT are proposed to be undertaken during the current financial year. Also for effective functioning computerized library, NIC is being requested to make available one computer programmer.

122. In order to make TDSAT perform its functions in an effective manner especially in light of additional responsibilities relating to broadcasting and cable services some expert officials in these fields would be joining TDSAT.

123. The above measures will enable TDSAT to utilize the budgetary allocation optimally.

**(G). WIRELESS PLANNING AND COORDINATION (WPC)**

124. From the budget documents it was seen that for Wireless Planning and Coordination (WPC) the BE 2003-2004 was Rs.131.17 crore which was reduced to Rs.105 crore at the RE stage. The actual expenditure for the year was Rs.94.44 crore. The 2004-2005 BE has provided for an amount of Rs.73.75 crore.

125. The Committee asked for the reasons of variations in the budgetary allocations for the year 2004-2005 *vis-à-vis* 2003-2004 as well as the savings on the part of WPC during the year 2003-2004. In reply, the Department stated that the project under WPC had a fixed total outlay. A large portion of the off-shore equipment have already been received during 2003-2004. The requested allocation for BE 2004-05 (Rs.73.75 crores) would meet the expenditure towards remaining off shore equipment, inland equipment and installation services etc.

126. As regards the reasons of savings, it was stated that the letter of credit could be made effective only on 5<sup>th</sup> June 2003. Only then the equipment supplies could

commence. Some part of the equipment and services which were anticipated during 2003-04 have spilled over to the year 2004-05. Therefore, Budget allocation for 2003-2004 could not be fully spent. However, the amount spent in 2003-04 was much more than previous years.

127. The Committee then asked as to whether the amount proposed in the 2004-2005 would be sufficient for WPC to accomplish many important on-going projects. The Department informed the Committee that the proposed BE 2004-2005 (Rs.73.75 crore) would be sufficient for accomplishing the “National Radio Spectrum Management and Monitoring System” Project which was the only project for WPC Wing at that point of time.

**(H). WIRELESS MONITORING ORGANISATION (WMO)**

128. It is observed from the budget materials furnished to the Committee that the total outlay for WMO in BE 2003-2004 was Rs. 9.36 crore out of which Rs. 8.86 crore was earmarked for civil works, 0.43 crore for the continuing and new schemes and Rs. 0.07 crore for staff and establishment. But in the RE 2003-2004 the total amount was reduced to Rs. 2.33 crore, the break up being Rs. 2.01 crore for civil works, 0.25 crore for on-going and new schemes and Rs. 0.07 crore for staff and establishment. In the BE 2004-2005 the total outlay has again been increased to Rs. 14.27 crore i.e. Rs. 10.27 crore for civil works, Rs. 3.53 crore for the schemes and Rs. 0.47 crore for staff and establishment.

129. The Committee asked the reasons for the glaring variations in the total outlay for WMO in the BE and RE 2003-2004 and BE 2004-2005 and also desired to know whether the funds earmarked for the continuing and new schemes of WMO for the year 2004-2005 would be sufficient. The Department in reply stated that the variations in respect of

RE 2003-04 (Rs.2.33 Crore) and BE 2004-05 (Rs.14.27 Crore) were due to the efforts of WMO for procuring land & construction of office building for its field offices. From BE 2003-2004 onwards Budgetary provisions were being kept for these activities but subsequently in RE the figures had to be brought down as acquisition of land in certain cases did not materialise due to non- availability or other reasons. There is urgency on this matter due to requirement of infrastructure development of the Organisation for implementation of World Bank aided Telecom Reforms Project through W.P.C.

130. It was also stated that funds earmarked for 2004-2005 would be sufficient for the continuing schemes for which requirements were expected to be of the order of Rs.10 lakh.

131. The Committee then specifically desired to know the measures proposed by WMO to avoid procedural delays for timely implementation of schemes. In reply, it was stated by the Department that it would be the endeavour of WMO to avoid/eliminate delays in future through regular monitoring of various plan schemes.

## **PART-II**

### **RECOMMENDATIONS/OBSERVATIONS**

#### **Recommendation No.1**

##### **BSNL - Financial allocation and utilisation**

The Committee note that the Plan outlay of BSNL for the year 2004-2005 is Rs.8,809 crore, of which Rs.7,734 crore will come from internal resources, Rs.1,074 crore from bonds/debentures and Rs.1.00 crore as budgetary support. This proposed outlay does not include Rs.5,968 crore i.e. Rs.3,318 crore towards reimbursement of license fee and spectrum charges and Rs.2,650 crore towards net receipt from Universal Service Obligation (USO) Fund. The actual requirement of BSNL for Annual Plan 2004-2005 is Rs.14,777 crore.

The Committee are informed that the Government approved a package of measures for BSNL in February, 2002 which *inter-alia* included reimbursement of License Fee and Spectrum Charges for an initial period of three years i.e. upto 2002-2003. Later, the Government in September, 2003 approved extension of this package beyond 2002-2003 for a period of one year i.e. the financial year 2003-2004.

The Committee are further informed that during the years 2001-2002 & 2002-2003 BSNL invested Rs.20,794 crore in rural telephony, but it was reimbursed by the Government only to the extent of Rs.5,491 crore. In the year 2003-2004, the Company is going to be deficit funded to the extent of Rs.9,000 crore. Thus within a span of three fiscals, BSNL has been deficit funded to the tune of approximately

Rs.15,303 crore on account of investment in the rural sector. Further, during the above mentioned three years BSNL had paid an amount of Rs.9,439.31 crore as licence fee, but it has been reimbursed Rs.6,900 crore only. Here also, the shortfall has been Rs.2,539.31 crore. Thus, the total deficit on both the fronts is around Rs.18,000 crore between the years 2001 to 2004.

In view of the fact that the Government had decided to reimburse the licence fee and spectrum charges to BSNL for deficits incurred on account of rural telephony and other socially desirable projects, the Committee feel that BSNL is justified in requesting the Government for reimbursement of Rs.5,968 crore to the Company. In the above context, the Committee find that the matter has been taken up by the Minister of Communications & Information Technology with the Finance Minister and subsequently followed up by the Secretary, DoT.

The Committee feel that BSNL has rendered an important national objective by providing extensive rural telephony, an area of operation where the private operators have been reluctant to tread. The Committee recommend that the Government should reimburse the License Fee and Spectrum Charges to BSNL at the earliest.

### **Recommendation No.2**

#### **Universal Service Fund**

The Committee are concerned to note that for the year 2004-2005, the Ministry of Finance have provided Rs.200 crore only to the Universal Service Fund (USF) against its requirement of as much as Rs.2,700 crore. This requirement of USF is based upon the finalisation of tenders for all the activities covered under

the policy as well as meeting the accrued liabilities for rural household DELs for the period 2002 to 2005. The Department has itself agreed that the allocation of Rs.200 crore to USF will not be sufficient to meet the requirement for 2004-2005.

The Committee are told that the Universal Service Obligation Fund has been given statutory status with the Parliament passing the Indian Telegraph (Amendment) Bill, 2003. The Fund has come into effect from 01.04.2002. Credits to the Fund will be through Parliamentary Approval.

The Committee, therefore, impress upon the Department that the matter should be earnestly pursued with the Ministry of Finance for higher allocation of funds to USF, more so because, BSNL has put a condition that it will be able to replace 64,424 VPTs based on faulty MARR systems only if it gets adequate funds from USF.

The Committee simultaneously recommend that BSNL, which has been getting and will also hopefully continue to get a package of measures from the Government, mainly due to its commercially unviable activities, has to get its act together and optimise whatever resources it has in the face of stiff competition, while not losing sight of the fact that it has to continue with the commendable job of connecting rural India.

**Recommendation No.3**  
**BSNL – Erosion of Customer Base**

The Committee observe that during the year 2003-2004, the target for BSNL in Direct Exchange Lines (DELs) was 60.61 lakh lines whereas the achievement has been 34.59 lakh lines. The Committee also observe that the gross achievement in DELs was actually 67.20 lakh lines, but the net achievement was less due to disconnection of approximately 32.60 lakh lines during the year 2003-2004. Such large number of disconnections were only in conventional fixed line DELs in major cities and towns where subscribers, with additional connections, surrendered the same due to reportedly increased reliability of telephone services and preference for a mobile phone. According to the Department, part of the disconnections were also due to non-payment of dues as well as availability of another operator.

The Committee also observe that as per the findings of a survey conducted by BSNL, 18 per cent subscribers surrendered their additional telephone lines, same percentage of subscribers switched over to GSM mobile services, 9 per cent preferred private operators and the remaining 55 per cent were BSNL's ex-subscribers who do not own any telephone at all.

The Committee cannot accept that as many as 55 per cent ex-subscribers of BSNL do not own any telephone at all, that too in major cities and towns. According to the Committee, BSNL should not be complacent and remain satisfied with having a mammoth subscriber base BSNL, in the present challenging scenario, should take things seriously and make an indepth study to find out the real causes for large scale surrenders/disconnections and try to get as many customers as possible back into its fold through better service quality and



reliability aggressive marketing, attractive packages, larger facilities etc. BSNL should learn from experience and check further erosion of its customer base as well as make all out efforts to achieve the DEL targets of 130 lakhs lines as fixed for the year 2004-2005.

**Recommendation No.4**

**BSNL – Achievement of Targets**

The Committee note that in Switching Capacity the target for BSNL during the year 2003-2004 was 65 lakh lines whereas the achievement has been 49.66 lakh lines. Similarly, in Trunk Automatic Exchanges (TAX) and Village Public Telephones (VPT) the target for the same year was 1,058 Kilo Circuits and 7,135 (Nos.) while the achievement has been 903 Kilo Circuits and 4,737 (Nos.) respectively. Delayed supply of equipment, non-receipt of WLL Corpect systems and non-availability of Fixed Wireless Terminals (FWTs), are some of the reasons put forth by BSNL. The Committee find that they have in the past several years, been very emphatic on stressing the point that procedural delays in obtaining materials/equipment should be avoided with advance planning and timely measures. With the reasons enumerated above, it apparently appears that the Committee's recommendations, in this regard, are not taken seriously and hence the same avoidable bottlenecks still persist.

Although the Committee appreciate that some unforeseen circumstances like insurgency, strike by transporters etc. are sometimes encountered which result in non-achievement of target, yet delay in finalisation of tendering process, late placement of purchase order etc. can never be construed as an excuse for

shortfalls and that too persistently for several years. However, now that an assurance has been given that action has already been initiated for timely procurement of material/equipment, the Committee believe that the targets set for various schemes for the year 2004-2005 will be optimally achieved.

**Recommendation No.5**

**North-East Region and Tribal Sub-Plan**

The Committee find that for the year 2003-2004, the target for DELs in North-East Region was 1,67,000 lines i.e.48,500 fixed lines, 30,500 WLL lines and 88,000 cellular lines. But the achievement as on 31 March, 2004 was 1,02,385 lines, the break-up being 38,718 fixed lines, 17,192 WLL lines and 46,475 mobile lines. Similarly, in OFC and VPTs the targets for the same year were 1800 Rkms and 5,590 (Nos.) whereas the achievement was 1708.45 Rkms and 3,108 only. Likewise, under Tribal Sub-Plan (TSP) the targets for the year 2003-2004 for Switching Capacity, DELs and Satellite Stations were 3 lakh lines, 2.70 lakh lines and 20 respectively whereas the corresponding achievement as on 31 March, 2004 has been 2.95 (approx.) lakh lines, 2.34 lakh lines and 16 respectively. Here also, the main reasons behind such shortfalls have been stated to be non-supply of underground cables, non-availability of adequate quantities of equipment especially FWTs and Cordeck equipment apart from other factors like non-availability of power from State Governments, delay in SACFA clearnace, insurgency etc. The Committee, however, find that in order to achieve the targets in various schemes during the year 2004-2005 in both North-East Region and TSP area, the Department/BSNL have taken advance measures to procure CMTS/ FWT

and WLL equipment. The Committee would like both DoT and BSNL to ensure that the above stated equipments are received in time so that the 2004-2005 targets for North-East Region and TSP are fully achieved and the people of those remote and inaccessible areas do remain connected with the mainland.

**Recommendation No.6**

**Private Operators**

The Committee find that as on 31 March, 2004 out of 6,07,491 villages in the country, 5,22,347 villages have been provided with telephone facilities, the share of BSNL being 5,09,682 and that of Private Operators being 12,665. It may be worthwhile to mention here that as per the licence agreements the six Private Operators were to provide 97,806 VPTs during the first three years i.e. by 30 September, 1998 in case of Andhra Pradesh, Gujarat and Punjab, by 30 September, 1999 in Maharashtra, by 30 September, 2000 in Madhya Pradesh and by 4 March, 2001 in Rajasthan. But none of the commitments was honoured by any of the Private Operators. The Department, on its part, went on extending the time limit for the Private Operators to perform, as has been brought out in detail in the Report of this Committee on Demands for Grants (2003-2004).

The Committee are pained to observe that the Department has been assuring the Committee for the last several years that stringent action would be taken against the Private Operators for dishonouring the contractual obligations. Ultimately, as seen this year, the Private Operators have migrated to the Unified Access Services Licence (UASL) under the provision of which the obligation of rural telephony has ceased to exist. What is more intriguing is the reference,

made this time to Clause 3.3.(i) of the Basic Service Licence according to which if all the villages in the service area have been provided with atleast one public telephone by DoT or the Private Operators, the obligation will cease to exist. The Committee are highly perturbed over the escapist attitude of the Private Operators in circumventing the enabling clause for providing rural telephony to the remotest corners of the country. The intention of the Government was to provide rural connectivity to the people as early as possible.

The Committee take serious note of the fact that the Private Operators took full advantage of such lacunae that existed in their contractual obligations, did not go for rural telephony and preferred the profitable route of escape by paying a paltry sum of Rs.53.75 crore as liquidated damages. The Department should, therefore, effectively and equitably enforce the licensing agreements by all the Private Operators.

#### **Recommendation No.7**

#### **Replacement of MARR VPT**

The Committee find that there has been no provision for replacement of MARR VPT quota for the Private Operators. But elsewhere, it is found that as all the villages have been covered in Punjab by BSNL, the faulty MARR VPTs are being replaced by the Private licensees. The Department owes a clarification in this regard.

**Recommendation No.8**

**WLL & Cellular Equipped Capacity**

The Committee observe that the WLL equipped capacity of BSNL is 22,23,450, the break-up being 7,15,050 in urban areas and 15,08,400 in rural areas. But as on 31 March, 2004 only 9,58,792 WLL connections have been provided out of which 3,23,829 are in urban areas and 6,34,963 in rural areas. Similarly, it is found that although the cellular connections of BSNL have exceeded its capacity as a whole as on 31 March, 2004, yet in some individual Circles like North-East-II, Chennai and Punjab, the connections have fallen short of the capacity. The Department's reasoning of late receipt of equipment, low scattered demand and non-availability of electricity for poor utilisation of WLL capacity are neither acceptable nor they are fully convincing. In the opinion of the Committee, had advance measures in regard to timely receipt of equipments, problem of electricity from State Governments etc. been taken, these problems would not have arisen at all. Moreover, the WLL is primarily devised to meet the scattered rural demand.

Similarly, in the case of Punjab a strong presence of three Private Operators had deterred BSNL from using its cellular capacity to its optimum level, according to the Department. BSNL has to face challenges and competition in the present telecom scenario. This lame excuse is not acceptable to the Committee.

The Committee are of the view that instead of resorting to excuses, BSNL should tone up its administration, plan fully in advance, efficiently execute and use the best methods and equipment to fulfil its targets.

**Recommendation No.9**

**Waiting List**

The Committee are concerned to note that as on 31 March, 2004 there were 17,54,965 people all over the country waiting for telephone connections out of whom 4,19,762 were in Kerala; 1,59,004 in Maharashtra; 1,44,226 in West Bengal; 1,38,019 in Rajasthan; 1,12,465 in Bihar; 92,284 in Punjab and 89,730 in Karnataka. In some other circles like Andhra Pradesh, Gujarat, Himachal Pradesh, Tamil Nadu and Uttar Pradesh (East) the waiting list has also been very high.

The Committee have been informed that the Department is planning to cater to the scattered demands in rural areas through WLL systems as the traditional land line would not be cost effective. For that purpose, equipment ordering has been taken up on priority basis.

The Committee are concerned that with such a high level of demand and such a short supply the credibility of the Department would gradually go down. How long will BSNL continue to bank upon being the only service provider in the rural area is the question in the mind of the Committee. The other fact before the Committee is that the scope of expansion, marketing and money is all in the rural areas and it has to be suitably tapped.

The Committee, therefore, caution the Department to be alert to the demands of our rural people and to take all measures to ensure that the momentum in the procurement of WLL equipment is periodically monitored so that the vast waiting list is reduced at the earliest.

### **Recommendation No.10**

#### **Fault Rate**

The Committee note that the fault rate of BSNL as on 31 March, 2004 was 8.4 per 100 stations per month. The measures being taken by BSNL to reduce this fault rate are creation of poleless network, replacement of underground paper core cables, opening of more and more remote line units, introduction of WLL, Digital Line Concentrators, provision of pagers to line staff, fault booking through Interactive Voice Response System (IVRS) etc. The Committee feel that these are steps in right direction and should be continued unabated in order to bring down the fault rate. The Committee further desire that since BSNL's network is spread largely in semi-urban, rural and remote areas, the Company should intensify the measures already taken to promptly attend to the phone fault complaints in those areas.

### **Recommendation No.11**

#### **Outstanding Arrears**

The Committee are highly concerned to note the staggering amount of outstanding telephone bills which has reached Rs.4,968.50 crore as on 31 March, 2004. BSNL's share is Rs.3,807.04 crore and that of MTNL is Rs.1,161.46 crore. In order to recover the outstanding dues, a number of measures are being taken, which include disconnection of telephone lines of the defaulters, setting and monitoring of targets for liquidation of outstandings, monitoring of collection efficiency etc. However, the above cited measures have apparently not yielded the desired results. This is corroborated by the huge outstanding dues and the fact

that an amount of Rs.53.60 crore had to be written off because it was irrecoverable. The Committee are of the view that additional prudent measures are required to collect the outstanding dues, more so when the viability of BSNL is under grave threat.

**Recommendation No.12**

**Hassle Free Service**

The Committee are glad to note that BSNL, in order to provide hassle-free service to its existing customers as well as to attract new ones, has been taking a number of measures like imparting behavioural training at all levels, providing additional services like SMS, CLI, opening additional Customer Service Centres, signing MoUs with major corporates and providing shifting of telephones free of charge. The Committee appreciate the above mentioned measures and recommend that BSNL should further improve its aggressive marketing strategies with a view to counter the cut throat competition from its private competitors.

**Recommendation No.13**

**MTNL**

The Committee find that for 2003-2004 BE, MTNL was provided a sum of Rs.2,284 crore which was curtailed to Rs.1,646 crore at the RE stage. The actual achievement in that year was Rs.956.91 crore due to many vendor queries in IT related services resulting in delay in finalisation of tenders, non-issuance of license for International Long Distance (ILD) services and non-materialisation of



MTNL's ambitious plans for expansion in new service areas abroad as well as national acquisition.

The Committee feel that the tender clauses should be transparent enough to avoid last minute queries and the ambitious plans should not go overboard, lest it casts a poor impression in so far as utilisation of earmarked funds is concerned. However, now that the Letter of Intent (LoI) has been issued to MTNL and vendor queries resolved, the Committee hope that MTNL will take adequate measures to achieve the target of Rs.76 crore in IT related services and Rs.400 crore in expansion of new service areas abroad and national acquisition. The Committee also desire that MTNL should adequately gear itself up to mobilise the amount of Rs.2,557 crore as earmarked for the year 2004-2005, so that important schemes do not languish.

#### **Recommendation No.14**

#### **MTNL – Achievement of Targets**

The Committee are highly perturbed to note that during the year 2003-2004, achievement of MTNL in net new connections including WLL and cellular connections was minus 1.48 lakh lines out of the target of 3.50 lakh lines. According to the Department, reasons for such negative growth were surrender and migration of fixed phone subscribers to mobile phones, lack of sufficient capacity in MTNL's mobile service as well as stiff competition in Delhi and Mumbai. The Committee are not satisfied with such reasonings because MTNL has to withstand competition by improving the quality of its service. Secondly, as much

as approximately 40 per cent cases of surrender and migration of MTNL subscribers does cast an aspersion on the efficiency of the Company and need to be looked into with a sense of urgency. Moreover, the unexpected surge in demand for GSM and CDMA mobile services could have been foreseen much earlier.

The Committee are of the view that the negative growth in net new connections including WLL and cellular connections has primarily been due to lack of planning and foresightedness on the part of MTNL and quality of service provided. The bottomline is, therefore, MTNL has to be commercially as alive and competitive as the Private Operators, and improve its quality of service in the competitive environment so that commercial houses and other loyal subscribers of MTNL do not switch over to other operators.

#### **Recommendation No.15**

##### **MTNL – Fault Rate**

The Committee are concerned to note that as on 31 March, 2004 the fault rate of Mumbai and Delhi Telephones was 6.92 and 12.28 respectively per 100 stations per month. MTNL has acknowledged that the high fault rate is one of the causes due to which MTNL is losing customers.

The Committee find two major causes that can be attributed to the high fault rate (i) the legacy of land cables and (ii) delay in finalisation of tendering process which results in technology becoming obsolete by the time equipment is installed. This affects the overall quality of service provided by the MTNL.

The Committee recommend that over and above the measures already initiated by MTNL to bring down the fault rate, particular care should be taken to aggressively go for wireless connectivity. The Department, on its part, should make efforts to ensure that the cumbersome tendering process is simplified. The Committee feel that this is the most opportune time for MTNL to be more market savvy and customer friendly and for that fault rate has certainly to be minimised to a great extent.

**Recommendation No.16**

**ITI Ltd.**

The Committee are constrained to note that during the year 2003-2004, ITI was able to achieve only 16 per cent of the financial target i.e. Rs.10.86 crore against the target of Rs.70 crore. Restricted expenditure due to financial constraints, limited/debarred expenditure due to change in product technology and regulated expenditure depending on actual requirements have been attributed as reasons for shortfalls in financial achievement on the part of the Company.

The Committee also observe that during the year 2003-2004, ITI has incurred mounting losses to the tune of Rs.231 crore and for the year 2004-2005, the projected loss is Rs.122 crore due to lack of timely switch over of the Company coupled with shift in market preference from fixed to mobile lines, reduction in manufacturing of products, heavy outstanding borrowings to the tune of Rs.1,758 crore, surplus manpower and high fixed overhead cost amounting to Rs.760 crore.

**The Committee further observe that ITI has fallen short in achieving the physical targets in Switching Products, Transmission equipment etc. during the year 2003-2004 due to inadequate orders, late receipt of orders and no orders at all.**

**In this context, the Committee note with greater concern the Department's admission that it is a sick Company. The objective before the DoT is to ensure that ITI remains a manufacturing Company of telephone instruments rather than turning into a trading Company of all sorts. DoT believes that if any Company has any semblance of manufacturing in India it is ITI. In its bid to achieve this goal, the DoT is bent upon bailing out the Company from the precarious financial condition and preventing it from being referred to the BIFR for which a number of measures are being taken. Such measures include induction of preference share capital by MTNL and BSNL, reservation quota orders upto 30 per cent, advance payment of 75 per cent of the Purchase Orders against the reserved quota, revival package of Rs.508 crore, reimbursement on VRS expenditure etc.**

**The Committee feel that as ITI has been the only Government owned undertaking producing indigenous telecom equipment and has rendered a commendable service over so many years, the Department's line of action in this regard is quite justified and has the fullest support of the Committee. Having received the necessary help in 2004-2005, the Committee would now like the Company to acquire all necessary technologies to be in the race, maximise its turnover, bring down the material cost to the Value of Production (VoP), reduce its surplus manpower and regain its core competence in manufacturing and fulfil its commitment to the Government and the Committee to be at par with any other**

telecom manufacturer anywhere in the world and look for business beyond BSNL/MTNL. All options should be explored to make the Company viable and profitable. The Committee hope that with such combined efforts from both DoT and ITI, the Company would not only thrive but be one of the leading Public Sector Companies of India.

**Recommendation No.17**

**C-DOT**

The Committee note with concern that against the internal financial target of Rs.155.35 crore for the year 2003-2004, C-DOT was able to expend Rs.126.60 crore due to campus works which will be actually spent during the first few months of the year 2004-2005 in the form of payment to various contractors. Similarly, C-DOT has not been able to achieve the physical target in 'Dense Wavelength Division Multiplexing' during the same year due to delayed availability of some components. The Committee further note that the financial target of C-DOT for the year 2004-2005 has been fixed at Rs.145.61 crore keeping in view the budgetary allocation of Rs.81.38 crore in the form of grant-in-aid. The Department's statement that any shortfalls in the grant-in-aid or internal accruals will adversely affect the R&D projects is also a matter of concern.

The Committee, therefore, recommend that C-DOT should take advance measures to ensure that it is able to generate the required revenue during the year 2004-2005 and get the components in time so that both financial and physical targets for the year 2004-2005 are achieved and R&D does not suffer the way it has happened in 2003-2004. The onus lies with the Department to see to it that the

projected grant-in-aid of Rs.81.38 crore for C-DOT during the year 2004-2005 is not curtailed.

**Recommendation No.18**

**C-DOT – Updating of Research**

The Committee are informed that by the time C-DOT sells the technology to the manufacturer and by the time the manufacturers develop the manufacturing ability, the tender specifications of the purchases go one step ahead. The Committee, therefore, put a word of caution to C-DOT to explore upgrading the technology so that much time is not lost in the transit. The Committee also advise C-DOT to try and update their research activities so that they can match the private operators in a fiercely competitive environment. The Committee also desire that both DoT and C-DOT should take all precautionary and punitive measures to ensure that the shortcomings/deficiencies and negligence as observed in the construction of Chhatarpur Campus Project is not repeated in any of their future projects.

**Recommendation No.19**

**Telecom Regulatory Authority of India (TRAI)**

The Committee note that out of the World Bank loan of US \$62 million, an amount of US \$4.4 million (approx. Rs.20 crore) was allocated to Telecom Regulatory Authority of India (TRAI) for the purpose of strengthening its institutional capabilities including provision of training to TRAI staff and carrying out consultative studies on regulatory issues. TRAI was unable to spend the allocated amount in a span of more than four years (from August, 2000 –

December, 2004) on the plea that considerable time was lost in identifying experts in relevant areas of consultative studies and also because the additional responsibilities of broadcasting and cable service have been entrusted to it subsequently. As a result, the Regulatory Body surrendered an amount of US \$1.9 million as savings. The Committee note with concern that TRAI should have done its homework well in identifying experts and drawing up a panel before it went in for a loan of US \$4.4 million in the year 2000.

TRAI has requested the Department for extension of the World Bank loan period by two years i.e. upto 31 March, 2006 which has not been acceded to. The Committee further note that as the World Bank has agreed for continuation of dialogue for development of Telecom Sector, TRAI has submitted a proposal for finalising fresh loan of US \$3 million for carrying out consultative studies etc.

The Committee understand that TRAI as a Regulator has a very important role in shaping the quality of telecom services for the whole country. TRAI should utilise all the resources at its disposal to emerge as a strong and well informed Regulator in order to render the best possible services to the nation. In this context, the Committee feel that TRAI should in future utilise all available resources effectively for the purpose of strengthening its institutional capabilities and upgrading the knowledge base of the Organisation and its staff.

#### **Recommendation No.20**

#### **Telecom Disputes Settlement & Appellate Tribunal (TDSAT)**

The Committee note that a sum of Rs.0.87 crore was allocated to TDSAT in the 2003-2004 BE and RE under plan expenditure. But the Tribunal was able to

spend Rs.0.63 crore only due to postponement of one study tour to Brazil and Argentina, development of website by NIC free of cost and withholding of 20 per cent of the cost for a computerized reference library. However, as TDSAT has been taking some measures like organizing a seminar, study tour by the Chairperson, Members and Sr. functionaries, the Committee hope that the Appellate Body will be able to utilize the 2004-2005 budget provision of Rs.0.60 crore.

**Recommendation No.21**

**Wireless Planning and Coordination (WPC)**

The Committee observe that for Wireless Planning and Coordination (WPC), the BE 2003-2004 was Rs.131.17 crore which was reduced to Rs.105 crore at the RE stage. The actual expenditure for that year was Rs.94.44 crore and the reason for savings was late commencement of equipment supply. Department's statement that the amount spent in 2003-2004 was much more than previous years does not hold good in view of the fact that savings in any form are tantamount to bad budgeting. The Committee recommend that the Wireless Planning and Coordination should take greater care to utilise the entire allocation during this financial year.

**Recommendation No.22**

**Wireless Monitoring Organisation (WMO)**

The Committee note that the total outlay for WMO in BE 2003-2004 was Rs.9.36 crore which was reduced to Rs.2.33 crore in the RE 2003-2004. Reasons for such variation have been stated to be non-availability of land for acquisition



and other reasons. The Committee find that the total outlay for WMO has been increased to Rs.14.27 crore in the BE 2004-2005 for procuring land and construction of office building for its field offices.

The Committee are concerned and desire to know whether WMO has identified any land for its field offices and whether all the administrative approvals prior to buying land have been obtained. The Committee recommend that all the measures in this regard should be taken in advance to utilise the 2004-2005 BE amount.

New Delhi  
19 August, 2004  
28 Sravana, 1926 (Saka)

M. M. PALLAM RAJU,  
CHAIRMAN,  
STANDING COMMITTEE ON  
INFORMATION TECHNOLOGY

## **ACRONYMS**

ADSL	---	Asymmetrical Digital Subscriber Line
AGR	---	Adjusted Gross Revenue
APO	---	Advance Purchase Order
BE	---	Budget Estimate
BIFR	---	Bureau of Industrial and Financial Reconstruction
BSNL	---	Bharat Sanchar Nigam Limited
CCA	---	Controller of Communication Accounts
CDMA	---	Code Division Multiple Access
CLI	---	Caller Line Identification
CMS	---	Cellular Mobile Services
DEL	---	Direct Exchange Lines
DLC	---	Digital Loop Carrier
DOT	---	Department of Telecommunications
DWDM	---	Dense Wavelength Digital Multiplexing
FWT	---	Fixed Wireless Terminal
GOM	---	Group of Ministers
GSM	---	Global System for Mobile
ILD	---	International Long Distance
IR	---	Internal Resources
ITU	---	International Trade Union
IVRS	---	Interactive Voice Response System
LOI	---	Letter of Intent
MARR	---	Multi Access Relay Radio
MOU	---	Memorandum of Understanding
MTNL	---	Mahanagar Telephone Nigam Limited
M/W	---	Microwave
NCDRC	---	National Consumer Disputes Redressal Commission
NE	---	North-East
NIC	---	National Informatics Centre
NIT	---	Notice Inviting Tender

NLD	---	National Long Distance
OFC	---	Optical Fiber Cable
PSU	---	Public Sector Undertaking
RE	---	Revised Estimate
RF	---	Radio Frequency
Rkm	---	Route kilometer
SACFA	---	Standing Advisory Committee on Frequency Allocation
SDCA	---	Short Distance Charging Area
SDCC	---	Short Distance Charging Centre
SDH	---	Synchronous Digital Hierarchy
SSA	---	Secondary Switching Area
TAX	---	Trunk Automatic Exchange
TCIL	---	Telecom Consultant India Limited
TDSAT	---	Telecom Disputes Settlement and Appellate Tribunal
TEC	---	Telecom Engineering Centre
TOT	---	Transfer of Technology
TRAI	---	Telecom Regulatory Authority of India
TSP	---	Tribal Sub-Plan
UASL	---	Unified Access Services Licence
USF	---	Universal Service Fund
USO	---	Universal Service Obligation
VOP	---	Value of Production
VPT	---	Village Public Telephones
VRS	---	Voluntary Retirement Scheme
WIP	---	Work in Progress
WLL	---	Wireless in Local Loop
WMO	---	Wireless Monitoring Organisation
WPC	---	Wireless Planning and Coordination

**MINUTES OF THE FIRST SITTING OF THE  
STANDING COMMITTEE ON INFORMATION TECHNOLOGY  
(2004)**  
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The Committee sat on Tuesday, 10 August, 2004 from 1100 hours to 1315 hours in  
Committee Room '53', Parliament House, New Delhi.

**PRESENT**

Shri M.M.Pallam Raju -- Chairman

**MEMBERS**

**LOK SABHA**

2. Shri Nikhil Chaudhary, M.P.
3. Shri Mani Cherenam, M.P.
4. Shri Sanjay Dhotre, M.P.
5. Shri P. Karunakaran, M.P.
6. Shri Ajay Maken, M.P.
7. Shri Col. G. Nizamuddin, M.P.
8. Shri Ashok Kumar Rawat, M.P.
9. Shri Chander Shekhar Sahu, M.P.
10. Shri Ram Kripal Yadav, M.P.

**RAJYA SABHA**

11. Shri Ashwani Kumar, M.P.
12. Smt. Sarla Maheshwari, M.P.
13. Shri N. R. Govindraj, M.P.
14. Shri K. Rama Mohana Rao, M.P.
15. Shri Motiur Rahman, M.P.
16. Shri Sanjay Nirupam, M.P.

**SECRETARIAT**

1. Shri S.K. Sharma -- Joint Secretary
2. Shri Raj Shekhar Sharma -- Deputy Secretary
3. Shri K.L.Arora -- Under Secretary

**Representatives of Department of Telecommunications**

1.	Shri Nripendra Misra	Chairman, TC & Secretary, DoT
2.	Shri A.K. Saxena	Member (Services)
3.	Shri S.L. Jain	Member (Tech.)
4.	Shri B. Sivaramakrishnan	Member (Prod.)
5.	Shri Shyamal Ghosh	Administrator (USO)
6.	Shri A.K. Sawhney	Member (F)
7.	Shri J.S. Sarma	Addl. Secretary (T)
8.	Ms. S.A. Tirmizi	Advisor (F)
9.	Dr. S.M. Jharwal	Advisor (Eco.)
10.	Shri J.R. Gupta	Sr.DDG (TEC)
11.	Shri R.N. Prabhakar	Sr.DDG (VAS)
12.	Shri P.K. Garg	Wireless Advisor
13.	Shri V.P. Sinha	CMD, BSNL
14.	Shri R.S.P. Sinha	CMD, MTNL
15.	Shri Y.K. Pande	CMD, ITI

At the outset, the Chairman welcomed the Members to the first sitting of the Committee for the year 2004-2005 (Fourteenth Lok Sabha). The Members of the Committee introduced themselves. Thereafter, the Chairman briefed the Members about the functioning of the Committee.

2. The witnesses were, then, called in. The Chairman welcomed the Secretary, Department of Telecommunications and other officers accompanying him to the sitting of the Committee.

3. Thereafter, the Secretary, Department of Telecommunications highlighted the salient features of the Demands for Grants (2004-05) with the help of an audio visual presentation.

4. The Members sought certain clarifications on the issues relating to Demands for Grants (2004-05) of the Department of Telecommunications. The representatives of the Department responded to the same.

5. The Chairman 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 Demands for Grants (2004-05).

A verbatim record of the sitting has been kept separately.

***The Committee, then, adjourned.***

**MINUTES OF THE SIXTH SITTING OF THE  
STANDING COMMITTEE ON INFORMATION TECHNOLOGY  
(2004-05)**  
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The Committee sat on Thursday, 19 August, 2004 from 1500 hours to 1750 hours in Committee Room 'B', Parliament House Annexe, New Delhi.

**PRESENT**

Shri M. M. Pallam Raju -- Chairman

**MEMBERS**

**LOK SABHA**

2. Shri Mani Cherennamei, M.P.
3. Kunwar Jitin Prasad, M.P.
4. Shri P. Karunakaran, M.P.
5. Dr. P.P. Koya, M.P.
6. Shri Bhartruhari Mahtab, M.P.
7. Shri Sohan Potai, M.P.
8. Shri Chander Shekhar Sahu, M.P.
9. Shri Ram Kripal Yadav, M.P.

**RAJYA SABHA**

10. Shri Ashwani Kumar, M.P.
11. Shri Dara Singh, M.P.
12. Smt. Sarla Maheshwari, M.P.
13. Shri K. Rama Mohana Rao, M.P.

**SECRETARIAT**

- |                            |    |                  |
|----------------------------|----|------------------|
| 1. Shri S.K. Sharma        | -- | Joint Secretary  |
| 2. Shri Raj Shekhar Sharma | -- | Deputy Secretary |
| 3. Shri K.L.Arora          | -- | Under Secretary  |
| 4. XXX XXX                 | -- | XXX XXX          |

At the outset, the Chairman welcomed the Members to the sitting of the Committee. The Committee then took up for consideration, the following Draft Reports and adopted the same with some modifications:-

- (i) Draft Report on Demands for Grants (2004-2005) relating to the Department of Telecommunications.
- (ii) XXX XXX XXX XXX

The Committee, then, authorized the Chairman to finalize and present the above mentioned Reports to both the Houses of Parliament, after factual verification by the Department concerned on a date and time convenient to him.

***The Committee, then, adjourned.***