

CHAPTER I

REPORT

This Report of the Standing Committee on Information Technology deals with action taken by the Government on the observations/recommendations of the Committee contained in their Fifty-seventh Report (Fourteenth Lok Sabha) on 'Demands for Grants (2008-09)' pertaining to the Ministry of Communications and Information Technology (Department of Telecommunications).

2. The Fifty-seventh Report was presented to Lok Sabha on 16 April, 2008 and was laid on the Table of Rajya Sabha on 15 April, 2008. It contained 44 recommendations/observations.

3. Action Taken Notes in respect of all the observations/recommendations contained in the Report have been received and categorised as under:

- (i) Observations/Recommendations which have been accepted by the Government:

Para Nos:-1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 16, 17, 20, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 35, 36, 37, 38, 39, 40, 41, 42 & 44

Total: 35

Chapter- II

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government:

Para Nos:- Nil

Total: Nil

Chapter-III

- (iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Para Nos:- 4, 14, 15, 18, 19, 33 & 34

Total: 07
Chapter-IV

- (iv) Observations/Recommendations in respect of which replies are of interim nature:

Para Nos:- 21 & 43

Total: 02
Chapter-V

4. The Committee trust that utmost importance would be given to implementation of the Observations/recommendations accepted by the Government. In cases, where it is not possible for the Department to implement the recommendations in letter and spirit for any reason, the matter should be reported to the Committee with reasons for non-implementation. The Committee further desire that Action Taken Notes on the Observations/recommendations contained in Chapter-I and final action taken replies to the recommendations contained in Chapter – V of this Report should be furnished to them at an early date.

5. The Committee will now deal with action taken by the Government on some of their recommendations.

I. Financial Projections for the Annual Plans

Recommendation (Para No. 4)

6. In their Fifty-seventh Report, taking exception to the Department of Telecommunications reasoning to consider the adequacy of the budgetary allocations at the 2008-2009 RE stage, even though certain important activities had already been earmarked to be

accomplished in 2008-2009, the Committee had impressed upon the Department to project sufficient financial projections at the BE stage itself in order to facilitate timely achievement of Projects/Schemes.

7. The Department of Telecommunications, in their Action Taken Note, have simply stated 'noted'.

8. The Committee are highly dissatisfied to note the casual reply of the Department to such an important issue. What the Committee tried to emphasise in their earlier Report was that when certain important activities like setting up of Telecom Testing and Security Certification Centre, Technology Cabling between main-land and Andaman & Nicobar Islands and replacement of some of the defence wireless networks with optical fibre based network had already been earmarked to be accomplished in the 2008-2009 fiscal itself, sufficient budgetary projections should have been made at the BE stage itself, primarily for two reasons, firstly to ensure that the Schemes/Projects earmarked should not suffer due to paucity/delayed allocation of funds and secondly not to give an impression that the achievement of targets is doubtful. Therefore, instead of giving a vague reply as has happened in the extant case, prudence required the Department to ensure that henceforth things are not left to the uncertainties of the RE stage and sufficient budgetary provisions are made at the BE stage itself when important activities are already targeted to be achieved in a particular financial year.

II. Network Expansion

Recommendation (Para No. 7)

9. In their earlier Report, the Committee had observed with concern that the share of Public Sector, in the overall expansion of telecommunication services, had declined to 27.60 percent as on December, 2007 whereas the share of Private Sector had increased to a phenomenal 72.40 percent as on the same date. Taking note of the fact that such an increase on the part of the private services providers

had been mainly in the wireless segment where BSNL and MTNL were lagging, the Committee had recommended that the Public Sector Companies should focus on technological upgradation and innovative marketing strategies to appropriately cater to the customer requirements especially in the wireless segment.

10. In their Action Taken Note, the Department have stated as follows:—

“The status of telecom network is as follows:-

As on	Status of all operators	Status of BSNL/MTNL	% PSU share
December, 2007	272.55 M	75.33 M	27.64 %
March, 2008	300.15 M	79.55 M	26.50 %
May, 2008	316.61 M	79.93 M	25.25 %

In respect of dwindling share of BSNL & MTNL, it is intimated that these PSUs are competing against large business houses *viz;* Bharti, Reliance, Tata & Idea and International operator *viz;* Vodafone all of which have Pan-India presence. Thus the market share of incumbent operators PSU is bound to reduce. BSNL (including MTNL) is deploying the state of art telecom equipment & is upgrading it as and when required. BSNL is augmenting its mobile network progressively so as to enhance coverage, capacity and to further improve the quality of service. BSNL is optimizing its network continuously for better performance. BSNL has planned to add 120 lakh mobile telephone connections during 2008-2009.”

11. The Committee are concerned to note that the share of telecom PSUs, in the overall expansion of telecommunication services in the country, has further come down to 25.25 percent as on May, 2008 from 27.64 percent as on December, 2007. The reasoning that the share of the incumbent PSU operators is bound

to reduce as they are competing against big business houses viz. Bharti, Reliance, Tata and Vodafone all of whom have Pan-India presence does not convince the Committee as competition is bound to surface in the extant telecom scenario and to take it head on and flourish would prove the true quality of the PSUs. For that, deployment of the state-of-the-art telecom equipment, continuous upgradation of the network, especially progressive augmentation of the mobile network and most importantly improvement in the quality of services rendered to the customers would go a long way in retaining as well as increasing the customer base of the PSUs. Now that an assurance has been given that BSNL/MTNL are taking measures in the above lines, the Committee trust that the telecom PSUs will be able to sustain competition from the large business houses and their market share will not be further eroded in the coming years.

III. Disbursement of USO Fund

Recommendation (Para No. 11)

12. Expressing their serious concern over the shortfalls to the tune of Rs. 170 crore in disbursement of USO Fund during the 2007-2008 fiscal, which happened for the first time since the inception of the Fund, the Committee, in their earlier Report, had recommended that effective measures should be taken to ensure that there was no shortfall in utilizing the 2008-2009 BE allocations and further requirements should be forcefully presented at the RE stage to facilitate roll out of various programmes, particularly those meant for the rural and remote areas.

13. In their Action Taken Note, the Department of Telecommunications have stated as follows:—

“The entire budgetary allocation of Rs. 5081.44 crore during the years 2002-03 to 2006-07 towards various USO activities was optimally utilized. In the year 2007-08, originally an allotment of Rs.1800 crore was made under USO. At R.E. stage the position

was reviewed and the requirement of funds was reduced to Rs.1450 crore. Subsequently, the requirement of funds was finally reduced to Rs.1290.00 crore and the utilization during the year stood at Rs.1290.00 crore.

The reduction in the requirement of funds during the year 2007-08 to some extent was on account of delay in the roll out of schemes such as, the project for setting up and managing infrastructure sites (Towers) – Phase I, provision of VPTs in uncovered villages through Digital Satellite Phone Terminal (DSPT), Rural Community Phones (RCPs) and replacement of Multi Access Radio Relay (MARR) VPTs. Besides, the release of funds under Rural Direct Exchange Lines (RDELs) was substantially less than expectation on account of a stringent verification procedure prescribed for checking of claims pertaining to Q.E. 31.03.2007, where the USPs had claimed to have installed a very large number of RDELs. This was necessary to ensure that the benefits of the scheme flow to the genuine target beneficiaries in designated rural and remote areas of the country.

During the current financial year 2008-09, a provision of Rs. 2000.00 crore has been made against the B.E. projections of Rs. 2900.00 crore for various USO activities, existing and planned. The additional requirement of funds will be worked out at R.E. stage and presented forcefully, so that the USO schemes do not suffer.”

14. The Committee note that during the 2007-2008 fiscal, originally an allotment of Rs. 1800 crore was made under USO which was first reduced to Rs. 1450 crore and finally to Rs. 1290 crore, reportedly utilized optimally. The Department have tried their best to project that the utilization of the 2007-2008 allocation under USO was as optimal as it was during the Tenth Plan period. But the fact remains that such reduction during 2007-2008 was due to delay in roll out of several important schemes like the project for setting up and managing infrastructure sites (Towers)-Phase I,

provision of VPTs in uncovered villages through Digital Satellite Phone Terminal (DSPT), Rural Community Phones (RCPs) and replacement of Multi Access Radio Relay (MARR) VPTs. In other words, spending the reduced allocations and projecting it as full utilization during the Financial Year 2007-2008 when several important Schemes got delayed cannot be condoned. The Committee, therefore, impress upon the Department to ensure that the impediments of 2007-2008 which resulted in delayed rollout of several USO activities do not resurface in 2008-2009 and the original allocation under USO is utilized optimally. Further, as assured the additional requirement of funds be worked out at the R.E. stage and presented forcefully so that no Scheme under USO languishes.

IV. Universal Service Levy

Recommendation (Para No. 14)

15. In their earlier Report, taking note of the fact that the collection of US Levy, since its inception and upto January, 2008 was Rs. 19124 crore, the Committee had impressed upon the Department to ensure that the requirements of the USO Fund particularly towards rural and remote areas were adequately and timely met from the USL collections.

16. The Department of Telecommunications, in their Action Taken Note, have stated as follows:—

“Till the year 2007-08, the collections under Universal Service Levy (USL) stood at Rs. 20,404 Crore. These collections are first credited to the Consolidated Fund of India and release of fund to the USO is through Parliamentary approval.

For the year 2008-09, against the budget estimate of Rs. 2900 crore, provision of Rs. 2000 crore have been made. Reassessment of fund requirement will be made at the time of preparation of Revised Estimate.”

17. The Committee appreciate that till the year 2007-2008, the collections under the Universal Service Levy stood at Rs. 20,404

crore. But the Department have maintained a conspicuous silence to the Committee's recommendation to ensure that the requirements of the USO Fund are adequately and timely met from the US levy collections. The Committee are well aware that the USL collections are first credited to the Consolidated Fund of India and release of fund to the USO is through Parliament's approval. But the question remains that whether the release of USL collections from the Consolidated Fund of India is on time and according to the requirement of the roll out of USO activities. The Committee, therefore, desire that the Department of Telecommunications should see to it that the requirements of USO Fund for carrying out a number of important activities are adequately and timely met from the USL collections.

V. Provision of Village Public Telephones (VPTs)

Recommendation (Para No. 15)

18. In their earlier Report, the Committee had observed that after providing nearly 5.42 lakh Village Public Telephones (VPTs) before 2004-05, BSNL was still left with 66,822 uncovered eligible villages as per the 1991 census. Since 2004-2005 and as on 29 February, 2008, BSNL has been able to provide VPTs in 53,073 villages and the target was to cover the remaining villages by June, 2008. The Committee had also observed that as per reconciled data based on 2001 Census, another 50,000 VPTs would be required to be provided in the uncovered villages out of which 10,000 villages were targeted to be covered during 2008-2009. Taking all the above factors into account, the Committee had recommended that adequate measures should be taken to accomplish the remaining VPTs by June, 2008 and provide new 10,000 VPTs in the 2008-2009 fiscal.

19. The Department in their Action Taken Note stated as follows:—

“(a) As on 31.05.2008, a total number of 54429 villages have been provided with VPTs out of a total number of 66822 villages.

Most of the VPTs, which are to be provided on technologies other than satellite, have already been provided. M/s BSNL, the implementing agency for these VPTs, have intimated that there has been delay in allotment of transponders due to failure of INSAT-4C and subsequent delay on part of M/s HFCL in supply of DSPT equipment. Similarly, the equipment for WLL has been delayed on account of the late supply by M/s ITI to BSNL due to one or the other reasons leading to delay in commissioning of sites. Keeping in view the remoteness and inaccessibility of these villages and complexity of the equipment required to be set up, the remaining VPTs are likely to be installed by November 2008.

- (b) A list of about 50,000 newly identified uncovered villages as per Census 2001 has been finalized, where VPTs are to be provided. The Agreements for disbursement of subsidy towards provision of VPTs in such uncovered villages are likely to be signed shortly with BSNL."

20. The Committee note that as on 31 May, 2008 a total number of 54,429 villages have been provided with VPTs out of a total number of 66,822 villages. Although all the uncovered villages were targeted to be provided with VPTs by June, 2008, yet BSNL has fallen short by more than 12,000 VPTs primarily because of delayed supply and non-supply of equipment. The Committee also find that agreements for disbursement of subsidy towards provision of VPTs in the newly uncovered villages as per 2001 Census are yet to be signed with BSNL, although a target of 10,000 new VPTs has already been earmarked for 2008-2009. Thus, the overall position is not satisfactory. While acknowledging the efforts of BSNL alone in the provision of VPTs, despite reported constraints, the Committee would like to recommend that the Company should take all effective measures to adhere to the new target date and provide 12,000 odd VPTs in the remaining uncovered villages. Similarly, the Department on their part, should facilitate signing of the agreements with BSNL at an early date

so that the Company is able to embark upon providing the targeted new VPTs within the stipulated time frame.

VI. Provision of Rural Direct Exchange Lines

Recommendation (Para No. 18)

21. In their Fifty-seventh Report, the Committee had noted that agreements were signed in March, 2005 with BSNL, Reliance Communication Limited, Tata Teleservices Limited and Tata Teleservices Limited (Maharashtra) for installation of Rural Direct Exchange Lines (RDELs) in the eligible 1685 Short distance Charging Areas (SDCAs) by March, 2007. Since the deadline was extended by an year as all the eligible SDCAs could not be covered by the original target date and in view of the deplorable position of rural teledensity, the Committee had recommended that the Department of Telecommunications should prevail upon the four Companies to cover all the eligible SDCAs through provision of RDELs by the revised target date.

22. The Department of Telecommunications, in their Action Taken Note have stated as follows:

“Agreements were signed with M/s BSNL, M/s RCL, M/s Tata Teleservices Limited (TTL) and M/s TTL (MH) in March 2005 for installation of Rural Household Direct Exchange Lines (RDELs) during the period 01.04.2005 to 31.03.2007. Under this scheme, the cut off date for installation of the RDELs has now been extended upto 31.03.2009. About 35 Lakh RDELs have so far been provided by the Service Providers with the subsidy support from USO Fund.”

23. The Committee note that as per the agreement signed in March, 2005 with BSNL, RCL, TTL and TTL (Maharashtra), Rural Direct Exchange Lines (RDELs) were to be installed in eligible 1685 Short Distance Charging Areas (SDCAs) by 31 March, 2007. As all the eligible SDCAs could not covered by the prescribed time limit, the scheduled date for installation of RDELs was extended upto 31 March, 2008. Now in their Action Taken Note the Department have stated that the cut off date for installation of the RDELs has

again been extended upto 31 March, 2009. The Committee are highly concerned over this sorry state of affairs, especially in view of the deplorable status of rural teledensity. The Department's statement that about 35 lakh RDELs have so far been provided by the service providers with subsidy support from USO Fund is no consolation. It is the duty of the four companies to honour their contractual obligations, that too when they are being provided subsidy support from the USO Fund. The Committee, once again impress upon the Department to ensure that all the eligible SDCAs are covered with provision of RDELs by 31 March, 2009 in order to give an impetus to rural telephony. The Committee would also like to be apprised of the number of eligible SDCAs actually provided with RDELs.

VII. Shared Infrastructure Mobile Services Scheme

Recommendation (Para No. 19)

24. In their Fifty-seventh Report, the Committee had noted that under the 'Shared Infrastructure Mobile Services Scheme', agreements were signed with the successful bidders in May, 2007 to set up and 7,871 infrastructure sites (towers) in 500 districts spread over 27 States in the first phase to be made operational by May, 2008. Similarly, in the second phase 11,000 additional towers had been identified out of which 6,000 towers were to be set up in the financial year 2008-2009. Appreciating the constraints experienced by the service providers in extending wireline services to the rural areas of the country and the imperatives of the Scheme, the Committee had recommended that the infrastructure sites/towers should be set up as per the earmarked targets and made operational to increase rural telephony.

25. In their Action Taken Note, the Department of Telecommunication have replied as follows:—

“As on 31.03.2008, about 488 towers have been set up under this scheme. The remaining towers are under different phases of installation/commissioning. Mobile services from these towers are likely to be launched in a phased manner by the end of year 2008. The proposed second phase scheme to set up additional shared towers is likely to be launched shortly.”

26. The Committee note that in the first phase of the 'Shared Infrastructure Mobile Services Scheme' agreements were signed with the successful bidders in May, 2007 to set up and manage 7871 infrastructure sites (towers) in 500 Districts spread over 27 States Mobile services through these shared towers were targeted to be made operational, in a phased manner by 2008. Not only that, in the second phase of the Scheme, 11,000 additional towers have been identified out of which about 6,000 towers are slated to be set up in 2008-2009. But the Committee are highly dissatisfied to note that out of the targeted 7871 sites/towers under the first phase, only 488 sites/towers could be set up as on 31 March, 2008. Most importantly, although 6000 additional towers were targeted to be installed in the year 2008-2009 under the second phase, yet the Scheme has not been launched till 15 July, implying thereby that there is virtually no chance of setting up the targeted towers in the remaining months of the 2008-2009 fiscal. The Committee are, therefore, not happy with the progress made in both the phases of the Scheme and they recommend that the Department should accord top most priority in ensuring that the 'Shared Infrastructure Mobile Services Scheme' takes off, as intended, so that the teledensity in the rural and remote areas is noticeably increased.

VIII. Outstanding Arrears of BSNL

Recommendation (Para Nos. 33 & 34)

27. In their Fifty-seventh Report, the Committee had observed that the outstanding arrears of the telephone bills of BSNL's basic services stood at a whopping Rs. 3634.81 crore as on 31 December, 2007. Similarly, the outstanding arrears of the cellular phone subscribers were Rs. 625.39 crore as on 31 January, 2008. The Committee had further noted that an amount of Rs. 159.94 crore was written off due to the non-recovery of the outstanding arrears. Opining that an outstanding of Rs. 4260.20 crore towards telephone bills alongwith a write off of Rs. 159.94 crore could have a very adverse impact on the financial health of BSNL, the Committee had recommended that the Company should come up with fresh and more effective initiatives to recover the outstanding telephone bill arrears.

28. The Department of Telecommunications in their Action Taken Note have stated as follows:—

“It may be seen from Annexure-I that the total net outstanding of Rs. 3634.81 crore is the cumulative figure. Against the amount billed for from 1991-92 to 2007-08 (upto December, 2007) of Rs. 239401.93 crore *i.e.* about 1.52% only of the amount billed for basic services. By February, 2008 the position has slightly improved to 1.51% *i.e.* Rs. 3608.74 crore outstanding against Rs. 239401.93 crore billed for Basic Services (Annexure-2).

Cellular Services

The outstanding of Rs. 625.39 crore as on 31.01.2008 in respect of Cellular Services has come down to Rs. 554.42 crore as on 31.03.2008 (*i.e.* reduction of Rs. 70.97 crore 11.34%) during the period from 01.02.2008 to 31.03.2008.

The recovery position for basic service (upto 31.03.2007) in respect of bills issued upto 31.03.2007 has gone up from Rs. 1048.16 crore as on 31.12.2007 to Rs. 1135.69 crore as on 29.02.2008. The percentage of reduction has gone up from 23.07% to 25.90% in two months *i.e.* January & February, 2008 (Annexure-3 & 3-A).

The written off figures during the year 2007-08 upto February, 2008 is Rs. 411.84 crore (Annexure-4) which includes Rs. 195.35 crore as Technically Written off for which BSNL Management Committee had issued a sanction in respect of outstanding for more than ten years old vide letter No. 2-20/2007-BSNL-TR dated 30.11.2007.

BSNL is very much concerned about the revenue arrears and taking all possible efforts to minimize revenue arrears. Steps taken in this regard are explained at Annexure-5.”

29. The Committee note with concern that the basic telephone outstanding arrears of BSNL stood at Rs. 4542.78 crore as on 31 March, 2007. Though the recovery position in respect of bills issued upto the same date has gone up from Rs. 1048.16 crore as on 31 December, 2007 to Rs. 1135.69 crore as on 29 February, 2008,

an amount of Rs. 3366.27 crore is still pending recovery. Similarly, with regard to the Cellular services, the Committee find that an outstanding of Rs. 554.42 crore has been pending recovery as on 31 March, 2008 against Rs. 625.39 crore as was the position on 31 January, 2008. Further, during the year 2007-2008 (upto February, 2008) an amount of Rs. 411.84 crore has been written off due to non-recovery of the outstanding arrears. The Committee are not satisfied with the overall position of the recovery of outstanding telephone bill arrears. Although BSNL has been able to recover Rs. 87.53 crore in January & February, 2008 towards outstanding arrears of basic services and Rs. 70.97 crore in February & March, 2008 towards Cellular services with the help of a number of measures reportedly initiated, yet the amount still outstanding *i.e.* Rs. 3920.69 crore (Rs. 3366.27 crore towards basic services and Rs. 554.42 crore towards cellular services) is a matter of serious concern. Not only that, the possibility of outstanding arrears increasing every year coupled with the amount written off compounds the problem manifold. As BSNL can ill afford to be complacent in its legitimate dues running into thousands of crore rupees, the Committee impress upon the Company to further intensify the measures for effective recovery of outstanding arrears.

IX. Financial Projection & Utilisation by MTNL

Recommendation (Para No. 37)

30. Observing a mere 32 percent capital expenditure by MTNL during the financial year 2007-2008 (upto December, 2007) in line with its underperformance during the entire Tenth Plan period, the Committee, in their earlier Report, had recommended that the Company should ensure that precious funds meant for the development of the crucial telecom sector were optimally and judiciously utilized during the remaining four years of the Eleventh Plan.

31. In their Action Taken Note, the Department of Telecommunication have stated as under:

“The total capital expenditure incurred by MTNL upto March 08 is Rs. 914.33 Cr. (unaudited) which comes to 44.77 % of RE

(Rs. 2042 crore) of 2007-08. The BE was revised due to non supply of equipment/completion of installation in time by one of the vendors for major projects planned for execution in the year 2007-08 and some delay in overseas acquisition. The details of which are as under:

- M/s ITI on whom PO for Broadband and GSM was placed for Mumbai has not been able to supply majority of the equipment.
- The convergent billing project is 80% completed however due to certain integration issues, the project is yet to be commissioned. The payment can only be released after the completion of the project.
- Negotiations are underway for acquisition of Suntel in Sri Lanka and hence amount for expansion has not been utilized.

MTNL is meeting its 100% funding requirements through internal resources, so non utilization of funds are not hampering Telecom sector in general. MTNL is having state of the art network and services that include broadband based on ADSL 2+ technology, GSM 2.5 G with 3G core, MPLS/IP transport, IPTV based on MPEG-4, CDMA based on 2000-1X, etc. MTNL is providing all the latest services to its customers.

MTNL shall make all endeavors to optimally utilize the Eleventh Plan outlay.”

32. The Committee note that the total capital expenditure incurred by MTNL during 2007-2008 was Rs. 914.33 crore out of the RE amount of Rs. 2042 crore, the percentage of expenditure being 44.77. Such underutilization of funds has been attributed *inter-alia* to non-supply of equipment and delay in overseas acquisition. However, what worries the Committee is the statement that since MTNL is meeting its 100 percent funding requirements through internal resources, non-utilisation of funds is not

hampering telecom sector in general. A still bigger concern is that the Department of Telecommunications are endorsing such unacceptable statement of one of the PSUs under their administrative control. Meeting the funding requirements through its internal resources does not anyway absolve the Company from its obligation of achieving the annual financial and physical targets, and the claim that the underperformance of MTNL is not hampering the telecom sector in general cannot be condoned under any circumstances. In the extant competitive telecom scenario the slightest underachievement in a given year would acquire menacing proportion in the long run. The Committee, therefore, exhort the Department to prevail upon MTNL to discard its callous attitude, ensure the impediments encountered during 2007-2008 do not resurface and make all endeavours, as assured, to optimally utilize the Eleventh Plan outlay.

X. Outstanding telephone bill arrears of MTNL

Recommendation (Para No. 40)

33. In their earlier Report, the Committee had observed that as on 29 February, 2008, an amount of Rs. 1203.98 crore was outstanding against MTNL's subscribers, the breakup being Rs. 935.51 crore against basic service subscribers, Rs. 90.72 crore against CDMA subscribers and Rs. 177.74 crore against GSM subscribers. Appreciating the imperatives of recovery of the outstanding telephone dues, the Committee had impressed upon MTNL to take additional innovative measures including introduction of the proposed Convergent Billing System for effective recovery of the dues.

34. In their Action Taken Note, the Department of Telecommunications have stated as under:

“MTNL has progressively brought down outstanding arrears over the past three years. The total outstanding amount on 31.3.2005 was Rs.1286.21 crore. This has been reduced to Rs.1188.62 crore as on 31.3.2008. This reduction of Rs. 97.59 crore has been achieved in spite of average annual billing of about Rs. 4500 crore

over each of these three years. The details of year-wise outstanding are as follow:

(Amount in Crore)						
Unit	Services	31.3.05	31.03.06	31.03.07	28.02.08	31.3.08*
MTNL	Basic	1163.11	1053.25	969.79	935.51	927.12
	CDMA		82.16	91.43	90.72	95.65
	GSM	123.10	137.27	157.21	177.74	165.86
	Total	1286.21	1272.68	1218.43	1203.98	1188.62*

(*Unaudited)

Out of the total outstanding of Rs. 1188.62 crore, Rs. 857.87 crore is old outstanding, accumulated over a long period. The total Amount Billed For (ABF) since 1986 is Rs. 80541.95 crore, against which the total outstanding of Rs.1188.62 crore as on 31.3.2008 is 1.48%. While all efforts are being made to recover the outstanding, every business has bad debts. Earlier it was possible to effect recovery by resorting to disconnection as MTNL was a monopoly service provider, whereas now the customers can simply move on to another operator without paying their bills. However, MTNL has been able to bring down the outstanding drastically.

The Action being taken by MTNL to further improve the recovery mechanism are:—

- Strong monitoring of outstanding dues at the corporate level and at the units Head Quarter level as well as in the areas. High targets were set and the units were constantly placed on their toes to achieve them.
- In respect of old outstanding dues relating to period upto 31.03.2005 separate targets was set. Private recovery agents were also employed for making recoveries.
- A Revenue Assurance programme has also been implemented in MTNL wherein efforts are being made to ensure

that maximum Revenue Billing and Revenue Realization takes place to further reduce the outstanding dues.

- d. Convergent Billing System is being introduced for achieving further control on realization of outstanding.
- e. Automated telephonic reminders to subscribers who default in making payments of their bills.
- f. Further action of disconnection of the telephone including disconnection of other working connection of the subscribers is also initiated in case payment is not received.
- g. Legal notices are therefore served to those subscribers who despite the reminders fail to make the payments of the telephone bills.
- h. In the events of the above efforts not yielding results, recovery suits are filed in the court of law wherever possible.

MTNL is very much keen to introduce the Convergent Billing System promptly. The individual bills for all the services of MTNL are being printed through Convergent Billing System. Interconnection of most of the line of the business with Billing System has already been done and testing of the same is in progress. Target Date has been fixed for the Convergent Billing System as October 2008 and will be achieved.”

35. The Committee note that as on 31 March, 2005, the total outstanding telephone bill arrears of MTNL were Rs. 1286.21 crore, the break up being Rs. 1163.11 crore towards basic and CDMA services and Rs. 123.10 crore towards GSM services. During a span of three years the Company has been able to recover Rs. 97.59 crore as a result of which as on 31 March, 2008 the outstanding arrear stood at Rs. 1188.62 crore. The Committee appreciate the slew of measures undertaken by the Company in recovering the outstanding dues. However, in view of the amount still pending recovery, the Committee desire that additional appropriate and innovative measures should be taken recourse to for effective realization of the outstanding dues. The Committee also trust that the Convergent Billing System will be introduced by October, 2008, as assured.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para No. 1)

The Department of Telecommunications (DoT) which form a part of the Ministry of Communications and Information Technology remain responsible for policy formulation, licencing, wireless spectrum management, Universal Service obligation and the administration of the various Acts pertaining to Telecommunications. The plan of Telecom expansion of the Department is mainly carried out through their Public Sector Undertakings (PSUs) *i.e.* Bharat Sanchar Nigam Limited (BSNL), Mahanagar Telephone Nigam Limited (MTNL), Indian Telephone Industries (ITI) and Tele-communication Consultant India Limited (TCIL). The Internal and Extra Budgetary Resources (IEBR) of the PSUs fund the development and expansion of telecommunication activities. The budgetary support is extended to certain specific activities and specified bodies under the Department. The Committee note that the total approved Budget for the Telecom Services for the year 2008-09 is Rs. 6140 crore out of which Rs. 5939.25 crore is for the Revenue section, Rs. 5765 crore is towards Non-Plan expenditure and Rs. 174.25 towards plan expenditure. The various points arising out of the examination of the Demands for Grants for the year 2008-09 of the Department of Telecommunications are dealt with in the succeeding paragraphs.

Action Taken by the Government

The approved budget of DoT for the year 2008-2009 is Rs. 6140 crore is detailed below:—

(Rs. in crore)

	Plan	Non-Plan	Total
	1	2	3
Revenue Section	174.25	5765.00	5939.25

	1	2	3
Capital Section	200.75	–	200.75
Total	375.00	5765.00	6140.00

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 2)

The Committee note that during the Tenth Plan Period Department of Telecommunications proposed an outlay to Rs. 90003.16 crore, however, a sum of Rs. 76252.38 crore was allocated to them at the BE stages which was further reduced to Rs. 71346.98 crore at the RE stages. The Actual Expenditure during the entire Tenth Plan Period was Rs. 40959.06 crore. Such gross mismatches in the outlays and utilization have been attributed to the rapidly changing technological scenario in the telecom sector, making long term planning difficult. During evidence Secretary, DoT maintained that primarily, USO Fund, BSNL and MTNL are responsible for under utilization of funds during the Tenth Plan Period. According to the Department, a number of court cases, delays in tendering process, delays in procurement, technological changes and highly ambitious targets have largely contributed towards huge shortfalls in expenditure during the Tenth Plan Period. The Secretary, DoT has also submitted in evidence that once BSNL becomes a 'Navaratna', like MTNL, the performance of the PSU will greatly improve. The Committee are not at all convinced with the reasons advanced by the Department for such poor depiction of Tenth Plan proposals, approvals and utilization, firstly because the DoT, as the administrative Department to oversee the functioning of their subordinate/attached offices and PSUs, should not skip responsibilities while such offices/PSUs underperform, as has happened throughout the Tenth Plan period. Secondly during the entire Tenth Plan Period, there has been optimum disbursement of subsidies from the USO Fund, implying thereby absolutely no shortfalls. The

Committee acknowledge the fact that in the rapidly changing telecom scenario it sometimes becomes difficult to adhere to the long term planning, but the extent of shortfalls that has been observed in the utilization of funds during the Tenth Plan Period cannot be condoned under any circumstances. Similarly, setting ambitious targets in the competitive scenario should not be construed as one of the reasons for under utilization of funds because that is the requirement of the day. In fact, autonomy and performance should be synergized. The Committee, therefore, recommend that adequate and effective measures should be taken to realize the targets fixed in view of the prevailing competitive environment so that the Five Year plan projections depict a much more realistic picture. The DoT, instead of passing on the onus to their PSUs, should ensure that the impediments that are being faced by the PSUs are timely overcome to facilitate their roll out plan during the Eleventh Plan Period.

Action Taken by the Government

The Committee's recommendations are accepted.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 3)

The Committee note that the proposed outlay for the first year of the Eleventh Plan for the Telecom Sector including its PSUs was Rs. 26549.42 crore whereas the approved 2007-2008 BE was Rs. 25561.97 crore with a Budgetary support of Rs. 340 crore. In the 2007-2008 Revised Estimates, the Plan Outlay was reduced to Rs. 16388.97 crore with a Budgetary support of Rs. 250 crore. The actual expenditure as on December, 2007 has been Rs. 4959.77 crore only. The Committee are informed that such drastic reduction and under utilization of funds during the year 2007-2008 happened because the physical and financial targets of the PSUs were revised consequent upon a mid plan review taking into consideration the prevailing market conditions. Here also, the Committee are not satisfied with the reasons

advanced for the unrealistic projections and the gross underutilization of the Plan outlay during the 2007-2008 fiscal. At the cost of sounding repetitive, the Committee acknowledge that the telecommunication sector is characterized by rapid technological innovations and cost reductions compelling the PSUs to rework and reframe their strategies all of a sudden. But in such a dynamic sector where competition is so intense, inability on the part of the telecom PSUs to foresee these compulsions is unacceptable to the Committee, more so when there has been under utilization of funds year after year on the same plea. The Committee, therefore, impress upon the Department to ensure that the Telecom PSUs adhere to advance and prudent planning, foreseeing the possible technological innovations and market demands, so that the Tenth Plan experience does not resurface and from the year 2008-2009 onwards the utilization of annual as well as Plan outlays becomes optimum.

Action Taken by the Government

Monthly monitoring of physical and financial targets has been introduced from 2008-2009 and will help in better estimation of outlays.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 5)

The Committee find that as per an agreement, DoT through BSNL, would help in the replacement of some of the Defence wireless networks between fixed locations with Optical Fibre Cable based network for coordination/vacation of spectrum by Defence. In this context, the Committee note that an alternative OFC based network for IAF (Indian Air Force) is being undertaken for release of spectrum for mobile services. Out of the more than 160 sites identified for the purpose, 60 sites have been undertaken by BSNL for logistic/infrastructure and remaining sites are being undertaken by IAF. Out of BSNL's quota, work at 45 sites has already been completed and will be accepted by April, 2008. Work at remaining sites would be

completed/accepted in phases by September and December 2008. The Committee are informed that the entire network would be completed by March, 2009. Taking into consideration the urgency for coordination/vacation of spectrum by Defence in favour of the telecom service providers for faster roll out of the existing services and introduction of 3G services, the Committee desire that the alternative OFC based network for the Indian Air Force is completed as per the time schedule by optimally utilizing the 2008-2009 budgetary allocation of Rs. 170 crore earmarked for the purpose.

Action Taken by the Government

The estimated cost of the Project for Indian Air Force is Rs. 1077.16 crore. This Ministry is coordinating with all the agencies connected with the project the putting all efforts in order that the work is completed within the deadline and the estimated cost.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 6)

The Committee are informed that in order to obviate the recurrence of under utilization of funds and consequential shortfalls in achievement of physical targets, the telecom PSUs are taking a number of measures like providing state-of-the-art telecom services at affordable prices, improving its operations in the domestic markets and expanding data and entertainment based services. Further, keeping the above objectives in mind, they are preparing 'Outcome Budget' which according to them is a powerful tool for planning and monitoring optimal utilization of funds and achievement of physical targets. The Committee do not subscribe to the views expressed by the Department that the 'Outcome Budget' has acted as a powerful tool for planning and monitoring of financial utilization and physical targets in the recent past. In fact, the Committees' examination of the document revealed huge shortfalls in utilization of financial outlay/allocation and achievement of physical targets. Evidently, the document has not been

used as an effective management tool to correct the mismatches. The Committee, therefore, impress upon the Department to thrive to achieve the objectives for which the 'Outcome Budget' was innovated three years ago so that the correlation between the outlays and the physical achievement of targets of a particular fiscal is suitably spelt out and corrective measures taken in the subsequent years to improve the performance.

Action Taken by the Government

Measures are being taken to improve the performance of outcome budget.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 7)

Network expansion is one of the thrust areas of the Department of Telecommunications. In this context, the Committee find that the Department's network expansion envisages 250 million connections by December, 2007, 500 million by 2010 and 600 million by 2012. As on October, 2007, 273 million connections have already been provided, the break up being 234 million wireless connections and 39 million wireline connections. However, what concerns the Committee is that the share of public sector has declined to 27.60 per cent as on December, 2007 whereas the share of private sector has phenomenally increased to 72.40 per cent as on the same date. Such an increase on the part of the private service providers has been mainly in the wireless segment where BSNL and MTNL are lagging behind. The CMD, BSNL's statement that the Company has been losing around 8 per cent market share in a year is a matter of serious concern. The Committee, therefore, desire that the Public Sector Companies should focus on technological upgradation and innovative marketing strategies to appropriately cater to the customer requirements so that their network expansion catches up to the private operators', especially in the wireless segment in the coming years. Such efforts on the part of the Telecom PSUs particularly BSNL, should compliment their social obligations of rural telephony.

Action Taken by the Government

The status of telecom network is as follows:—

As on	Status of all operators	Status of BSNL/ MTNL	% PSU share
December, 2007	272.55 M	75.33 M	27.64%
March, 2008	300.15 M	79.55 M	26.50%
May, 2008	316.61 M	79.93 M	25.25%

In respect of dwindling share of BSNL & MTNL, it is intimated that these PSUs are competing against large business houses viz.; Bharti, Reliance, Tata and Idea and International operator viz.; Vodafone all of which have Pan-India presence. Thus the market share of incumbent operators PSU is bound to reduce. BSNL (including MTNL) is deploying the state of art telecom equipment and is upgrading it as and when required. BSNL is augmenting its mobile network progressively so as to enhance coverage, capacity and to further improve the quality of service. BSNL is optimizing its network continuously for better performance. BSNL has planned to add 120 lakh mobile telephone connections during 2008-2009.

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2008-B dated 15 July, 2008)

Comments of the Committee

(Please see Paragraph No. 11 of the Chapter-I)

Recommendation (Para No. 8)

Rural telephony is another thrust area of the Department of Telecommunications for which 200 million rural connectivity is projected by the year 2012. In this context, the Committee find that rural teledensity as on 31 January, 2008 was 8.68 per 100 people compared to 5.89 in 2006 and 0.29 in 1996. During the corresponding

period, the urban teledensity has grown leaps and bounds and as on 31 January, 2008, it stood at 62.93 per 100 people. The overall teledensity stood at 24.63 per 100 people as on the same date. A rural teledensity target of 25 per 100 people has been fixed by the year 2012. The Committee feel that the growth in rural teledensity has abysmally failed to keep pace with the growth in the urban teledensity, despite it being a thrust area of the Department. In other words, although the Department claim to have initiated a number of measures to increase the rural teledensity, yet the rural areas seem to remain still neglected. The Committee, therefore, recommends that additional prudent measures like opting for deployment of cost effective technologies in the rural areas should be taken to give a fillip to the rural telephony for achieving the rural teledensity target of 25 per 100 people by the year 2012.

Action Taken by the Government

Due to the proactive measures taken by the Government in the recent past, there has been a steady growth in rural telephones. The number of phones in the rural areas has increased from 47,09,9514 as on March 2007 to 76,49,9675 at the end of March 2008 thus registering a growth of 62.4 percent. Rural teledensity, which was 5.89 percent in March 2007, now stands at 9.46 percent at the end of March 2008. The share of rural telephones in total phones has also increased from 22.88% at the end of March 2007 to 25.45% at the end of March 2008. There is also increasing penetration by the private operators in the rural sector as is evident from the growing share of private sector in the total phones provided in the rural areas. The share of private sector in total rural phones has increased to 66.58% as on March 2008 from 51.89% as on March 2007. The wireless phones in rural areas has shown an increase of 87.8% as on March 2008 as compared to that in March 2007.

A scheme has recently been launched by Universal Service Obligation Fund to provide subsidy support for setting up and managing 7871 number of towers for provision of mobile services in the specified rural and remote areas of the country. The infrastructure so created shall be shared by three service providers for provision of

mobile services, which shall result into reduction of Capital Expenditure (CAPEX) and Operating Expenditure (OPEX) requirement of service providers for provision of mobile services in these areas. Prudent measures shall also be taken by Bharat Sanchar Nigam Limited (BSNL) to improve the tele-density in rural areas and to contribute in achieving the rural target of 25 per 100 people by the year 2012.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 9)

The Committee find that out of the 6,73,31,303 rural wireless connections as on 31 December, 2007, the private sectors' share is 4,32,00,399 connections which is 64.2 per cent of the total rural wireless connections. Here the Committee would like to point out that as provision of wireline connections in rural areas is a costly proposition, the private operators have preferred to go in for wireless connections in these areas and they have already marched miles ahead of BSNL, especially after the Unified Access Service Licence (UASL) Regime came into vogue. The Committee would like BSNL also to suitably tap the rural market which has tremendous potential and explore providing wireless connections in such areas in a big way. The Committee feel that provision of wireless telephony in rural areas by BSNL has already been encouraged to a great extent by the Committee's recommendations in this regard in their Thirty-Fourth Report on Indian Telegraph (Amendment) Bill, 2006 and consequent amendment of the Indian Telegraph Act. The Committee are hopeful that if serious efforts are made in that direction, BSNL will surely succeed in its mission because of the goodwill and aspiration still reposed in it in the rural areas.

Action Taken by the Government

BSNL has taken the following efforts in the WLL segment:

- A total of 6850 WLL CDMA BTS commissioned in rural areas and 439147 villages have been covered by CDMA WLL as on 31.05.2008.

- The MSC based CDMA equipments have been procured under 30.2 lakh lines project and are under various stages of installation/commissioning. Also, there is a proposal to procure 19.2 lakh lines of MSC based CDMA WLL as add on quantity.

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2008-B dated 15 July, 2008)

Recommendation (Para No. 10)

Broadband is another thrust area of the Department pursuant to which the Broadband Policy was announced on 14 October 2004 with a vision of providing 20 million broadband subscribers by the end of 2010. During the Eleventh Plan Period (2007-2012), there is a proposal of broadband coverage for all the Secondary and Higher Secondary Schools, Public Health Centres and Gram Panchayats. The Committee find that nation wide broadband service were launched by BSNL and MTNL *w.e.f* 14 January, 2005 to cover at least 200 towns in one year. As on date 600 towns have been covered with about 2 million connections out of which the share of BSNL & MTNL is 75 percent. As provision of broadband connections by wireline equipment is a costly proposition in rural and remote areas, BSNL is putting wireless broadband connections in 1000 remotest blocks. In that direction the Department of Telecommunications are going for auction of 3G and Wi-Max technologies. Depending upon Wi-Max technology, BSNL has entrusted the work on a franchise basis in Andhra Pradesh, Gujarat and Maharashtra. The Committee recommend that BSNL and MTNL should thrive to provide adequate broadband connections as envisaged for the Eleventh Plan period so that they maintain their lead *vis-à-vis* the private operators. Provision of broadband connections through wireless equipment in the rural and remote areas is a step in the right direction for its cost effectiveness, and the Committee desire that the momentum should be continued for coverage of all the Secondary and Higher Secondary Schools, Public Health Centres and Gram Panchayats, as envisaged. The Committee also desire that the experiment of

providing broadband connections on franchise basis, as resorted to by BSNL in Andhra Pradesh, Gujarat and Maharashtra should also be gradually extended to other States, if found feasible.

Action Taken by the Government

Broadband Services in the Rural areas

Recognising the potential of ubiquitous Broadband service in the growth of GDP and enhancement in quality of life through social applications, entertainment as well as employment generation by way of high speed access to information and web-based communication, the Government announced the Broadband Policy, 2004. As per the Broadband Policy 2004, 20 million broadband connections are to be provided by 2010.

Further, the Government has decided that:

- (a) All Gram Panchayats will be covered under Rural Broadband project in a progressive manner and will be provided with broadband connectivity by the end of year 2012.
- (b) All Government Higher Secondary Schools will be covered in a progressive manner, and will be provided with broadband connectivity by the end of year 2012.
- (c) As part of e-Governance Project, all Public Health Centres will be covered with broadband connectivity in a progressive manner by end of year 2012.

As on 31.05.2008, more than 3200 cities have been covered with about 4.07 million connections, out of which share of BSNL & MTNL is 54% (2.23 mn) and 16.34% (0.6 mn) respectively. The share of the private operators is only 29.66% only.

The Broadband users will have access to various facilities like e-governance, tele-education, tele-medicine, video conferencing, digital entertainment, faster web search, e-commerce etc.

BSNL

Presently, BSNL's Broadband service is available in 577 district headquarters, 2511 block headquarters and about 22,000 villages. With the ongoing projects and schemes, BSNL will be able to generate Broadband capacity of 9.4 mn by March 2009. All 620 district headquarters, 6385 block headquarters and about 1.5 lakh villages will be provided with broadband connectivity by December 2008. A target of 7 mn broadband connections by March 2009 has been set up for BSNL.

The tender of Rural Wi-Max equipment for 1000 Block is under evaluation. The services in these blocks will be provided after allocation of spectrum. BSNL has entered into an agreement with a franchisee for provision of Broadband wireless access for Andhra Pradesh, Gujarat and Maharashtra. 25 sites in each of the three areas have been finalized. Since frequency spectrum has not been allotted so far, therefore, the franchisee is not able to import the equipment.

EOI for providing broadband connections on franchisee basis for the remaining areas will be issued on receipt of frequency spectrum.

100,000 Community Service Centers (CSCs) are to be provided with Broadband connectivity. Out of this, 50,000 CSCs are being supported by USOF and remaining 50,000 will be funded by Department of IT. The work of providing Broadband connectivity is being executed through BSNL. DoT, through USOF, will also subsidise the infrastructure cost of broadband connectivity in rural and remote areas.

MTNL

MTNL is providing Broadband services in Delhi & Mumbai on ADSL2+technology. As on 31.05.2008, MTNL has provided 23.75 lakh & 33.93 lakh (total 57.68 lakh) connections in Delhi & Mumbai against capacity of 25.94 lakh and 34.97 lakh respectively. The target for the year 2008-09 is 10 lakh Broadband connections.

The Broadband network is being expanded by 1.63 lakh and 1 lakh lines in Delhi and Mumbai respectively. Additional 2.5 lakh capacity is being added shortly and a tender for 10 lakh additional capacity has also been floated.

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2008-B dated 15 July, 2008)

Recommendation (Para No. 11)

The Committee note that in the year 2007-2008 the BE provision for USO fund was Rs. 1800 crore which was reduced to Rs. 1450 crore at the RE stage. As on January, 2008 the expenditure has been Rs. 615.31 crore only. The anticipated expenditure by the end of 2007-2008 fiscal is Rs. 1280 crore. Shortfalls in disbursement of Rs. 170 crore during the Financial Year 2007-2008 have been *inter alia* attributed to difficulty in acquisition of land for putting up of towers, the delay in procurement of DSPT equipment and reduction in the target of Rural Community Phones (RCPs). It may be recalled that the entire budgetary allocation of Rs. 5081.44 crore during the Tenth Plan Period towards USO activities was optimally utilized. The Committee are, therefore, highly concerned to observe the shortfalls in disbursement of USO fund for the first time. The Committee feel that such under utilization of USOF during the first year of the Eleventh Plan period might have prompted the Planning Commission to reduce the 2008-2009 allocations by Rs. 900 crore *i.e.* allocation of Rs. 2000 crore against the USOF requirement of Rs. 2900 crore. The Committee apprehend that reduction of Rs. 900 crore in 2008-2009 fiscal would seriously affect the plans and projections under USOF in view of a number of new activities like new VPTs in the remaining villages as per the 2001 Census and Shared Infrastructure Mobile Services Scheme, provision of Mobile Services in Andaman & Nicobar Islands, Lakshadweep & Minicoy Islands and Leh and Ladakh, and broadband connectivity in rural and remote areas that are proposed to be taken up during the financial year 2008-2009 in addition to the ongoing activities. The Committee, therefore, recommend that all effective measures should be taken to ensure that there is no shortfall in utilizing the 2008-2009 BE allocations so that the requirements under the USOF are not reduced drastically

in the coming years. In view of USOF's impeccable track record during the Tenth Plan Period the Committee desire that any additional requirement during the year 2008-2009 should be forcefully presented at the RE stage so that the disbursement of funds towards roll out of various programmes, particularly pertaining to rural and remote areas, do not get a set back.

Action Taken by the Government

The entire budgetary allocation of Rs. 5081.44 crore during the years 2002-03 to 2006-07 towards various USO activities was optimally utilized. In the year 2007-08, originally an allotment of Rs. 1800 crore was made under USO. At R.E. stage the position was reviewed and the requirement of funds was reduced to Rs. 1450 crore. Subsequently, the requirement of funds was finally reduced to Rs. 1290.00 crore and the utilization during the year stood at Rs. 1290.00 Crore.

The reduction in the requirement of funds during the year 2007-08 to some extent was on account of delay in the roll out of schemes such as, the project for setting up and managing infrastructure sites (Towers) — Phase I, provision of VPTs in uncovered villages through Digital Satellite Phone Terminal (DSPT), Rural Community Phones (RCPs) and replacement of Multi Access Radio Relay (MARR) VPTs. Besides, the release of funds under Rural Direct Exchange Lines (RDELs) was substantially less than expectation on account of a stringent verification procedure prescribed for checking of claims pertaining to Q.E. 31.03.2007, where the USPs had claimed to have installed a very large number of RDELs. This was necessary to ensure that the benefits of the scheme flow to the genuine target beneficiaries in designated rural and remote areas of the country.

During the current financial year 2008-09, a provision of Rs. 2000.00 crore has been made against the B.E. projections of Rs. 2900.00 crore for various USO activities, existing and planned. The additional requirement of funds will be worked out at R.E. stage and presented forcefully, so that the USO schemes do not suffer.

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2008-B dated 15 July, 2008)

Comments of the Committee

(Please see Paragraph No. 14 of the Chapter-I)

Recommendation (Para No. 12)

The Committee note that the year-wise requirement of USO Fund during the Eleventh Plan Period has not yet been worked out on the plea that disbursement from the USO fund is a 'non Plan' expenditure and the annual assessment is made taking into account the ongoing and proposed new activities. The Committee are not satisfied with the reasoning as the lack of advance planning in projecting the financial requirement during the Five Year plan period, especially when ongoing and new activities have been finalized, may result in financial constraints for USOF. The Committee, therefore, recommend that overall year-wise fiscal projections may be made for the Eleventh Plan Period to facilitate adequate disbursement of funds from USOF towards the subsidized activities.

Action Taken by the Government

The year-wise requirement of funds for various USO activities, both ongoing and planned during 11th Plan period (2008-09) to 2011-12) has been assessed as under:—

(In crores of Rs.)

Year	Ongoing activities	Planned activities	Total
2008-09	1439	2201	3640
2009-10	862	2957	3819
2010-11	379	3516	3895
2011-12	194	1242	1436
Total	2874	9916	12790

These estimates are subject to the following qualifications:

1. In case of existing activities, projected amount has been calculated based on: Capital Expenditure (CAPEX) and Operating Expenditure (OPEX) subsidy towards numbers which will be added against balance achievement of targets, average annual out-go so far, amount required for maintenance of facilities created under the respective schemes as per rates arrived at by way of tender and numbers added in the extended period of the Rural Household DEL scheme. It may however be noted that this is a open ended scheme and therefore the actual numbers may vary as compared to projections made as on date. The actual expenditure will be dependent on the actual numbers existing as on the date of claim, the amount claimed by the USPs and the amount settled after following the stipulated verification process, which cannot be projected with a great degree of accuracy in view of the fact that the number of permanent closures/disconnections cannot be predicted.

2. The planned activities are under formulation. After finalization of the scheme design, the benchmark rates will be calculated and tender will be called for. The work will be awarded to the successful bidders. Further, the projected expenditure is based on the projected time line of the projects. The actual expenditure will depend on the actual implementation of the Project.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 13)

The Committee observe that although the pending claims of various service providers from USOF have been brought down substantially, yet an amount of Rs. 47.7 crore was still pending settlement as on 27 March 2008. The Committee desire that immediate measures should be taken to settle the pending amount so that the claimant service providers are not inconvenienced. The Committee also desire that the monitoring mechanism of the performance of the

schemes subsidized under USOF should be further intensified so that suitable deductions in the subsidy amount may be made in case the service providers do not conform to the terms and conditions of the Agreement.

Action Taken by the Government

Pending subsidy claims of Universal Service Providers (USPs) were finally reduced to Rs. 31.00 crore at the close of 31st March 2008. This amount includes Rs. 24.60 crore pertaining to RDELs installed after 31.12.2006 which can be finalized only upon completion of the special verification drive being carried out by Controller of Communication Accounts (CCA) offices and is likely to be completed shortly. Further, concerted efforts are being made to reduce the pendency to the barest minimum. However, the settlement of subsidy claims of USPs is a continuous process depending upon complete documentation, results of field verification and consequent compliance by USPs. Therefore, at any point of time some amount of claim would invariably remain under process.

USO agreements envisage post payment authentication of subsidy claims. However, sufficient and adequate safeguards exist in the USO agreements by way of an affidavit from the authorized representative of the USP, claim formats and documents in support of the claims, auditing of the claims by the Company's Auditors appointed as per Company Act and recovery/adjustment of excess claimed amount along with penal interest (wherever recoverable) etc.

In addition to the above, post payment verification is being carried out by the Controller of Communication Accounts (CCA) offices. Physical inspections are being done by the CCAs on regular basis and inspection reports are being sent to the USOF, HQ. Based on the observations/recommendations given in such inspection reports the USOF takes suitable action towards better implementation of the schemes.

Apart from the routine inspections, special physical verification drives have been launched for verification of VPTs, RDELs, RCPs etc.

as and when the need had arisen. In case of Mobile infrastructure phase-I, the CCAs have been instructed to carry out 100% verification of mobile towers erected under the scheme, in phased manner.

Thus, the existing schemes are being monitored continuously so that the benefits of the schemes reach the target population. The same approach would be followed for the future schemes also.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 16)

The Committee observe that as per the original agreement 1,86,872 VPTs based on the MARR system were to be replaced by BSNL by 30 June, 2005. The target was revised downward to 1,82,766 replacements and two extensions were granted to BSNL to replace such VPTs by 30 November, 2007. But as on December, 2007 BSNL has been able to replace 1,32,579 MARR based VPTs. As is evident from the above data. BSNL is still left with the replacement of 50,187 MARR based VPTs even after getting two extensions. The Committee find that the States/Circles where a sizeable number of MARR VPTs are yet to be replaced include Meghalaya (487), Rajasthan (321), Mizoram (274), Manipur (239), Chhattisgarh (196), Orissa (179) and Assam (157), Needless to say, the progress of replacement of MARR based VPTs is not up to the mark and the Committee, therefore, desire that with the help of penetration of GSM/CDMA network in rural and remote areas and timely procurement of DSPT equipment, BSNL should replace all the VPTs based on the fault prone MARR technology at a much faster rate.

Action Taken by the Government

Against the revised target of replacement of 182766 MARR based VPTs, BSNL has already replaced 180735 MARR based VPTs with reliable technology as on 31.03.2008. This figure includes 47579 VPTs replaced prior to 30.06.2003 and 133156 MARR VPTs replaced subsequently. With the spread of BSNL network on CDMA/GSM in

the rural and remote areas of the States, the remaining 2031 MARR based VPTs shall be replaced in a phased manner at an early date.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 17)

The Committee note that as per an Agreement signed in September, 2004, BSNL and Reliance Communications Limited (RCL) had to provide 46,253 Rural Community Phones by 2007, the break up being 24,822 by BSNL and 21,431 by RCL. The target was subsequently revised to 43,409 RCPs. The Committee find that as on January, 2008, 38,137 RCPs have been provided by both the Companies, the achievement being 21,889 by BSNL and 16,248 by RCL. The Committee are informed that the remaining RCPs are likely to be provided by September, 2008. The Committee are not satisfied with the progress made in the achievement of targets in RCPs as even after downward revision of the target, the required number of RCPs could not be provided by the deadline *i.e.* November, 2007. The Committee, therefore, impress upon the Department to ensure that the remaining RCPs are provided by September, 2008 for the benefit of those villages where even one public telecom access facility does not exist.

Action Taken by the Government

As on 31.03.2008, 37671 RCPs (BSNL: 21914, RCL: 15757] have been provided against a revised target of 43409 RCPs (BSNL: 21978, RCL: 21431]. Request has now been received from M/s RCL for reduction of number of RCPs by 2873 due to availability of PCO facility in those villages and the same is under process. The remaining 2865 RCPs [BSNL: 64, RCL: 2801] shall be provided by September, 2008. It is worthwhile to mention here that RCP is a second VPT provided in villages having population of more than 2000 and not having a PCO facility.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 20)

The Committee note that the plan RE for Telecom Regulatory Authority of India during the year 2007-2008 was Rs. 8 crore whereas the actual expenditure up to 31 January, 2008 has been Rs. 2.92 crore only. Similarly, the 2007-2008 approved non Plan RE for TRAI was Rs. 25.34 crore whereas the actual expenditure during the year (up to 31 January, 2008) has been Rs. 16.00 crore only. During the year 2008-2009 the Plan and non Plan BE provisions for TRAI are Rs. 10 crore and Rs. 24.80 crore respectively. In this context, the Committee find that due to the delay in allotment of land by DDA, TRAI would be able to spend Rs. 2.92 crore only during the 2007-2008 fiscal against the Plan allocations of Rs. 8 crore. Similarly, there would be a shortfall of more than Rs. 5 crore on the non plan side during 2007-2008. The Committee are informed that the Regulatory body is taking a number of measures to optimally utilize the 2008-2009 Plan and non Plan allocations. The Committee trust that TRAI would be able to utilize the budgetary allocations to the optimum and consequently accomplish the important Consultancy Studies/imparting training to its officers to effectively deliver its regulatory functions commensurate with the fast changing telecom scenario.

Action Taken by the Government

The observations made by the Committee to optimally utilize the budgetary allocations have been respectfully noted for compliance.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 22)

The Committee note that the Plan allocation for TEC for the 2007-2008 BE was Rs. 20.25 crore which was reduced to Rs. 45 lakh at the RE stage. The Plan BE 2008-2009 provides for an amount of Rs. 10 crore which includes Rs. 1 crore earmarked for North East Region. Drastic reduction of the 2007-2008 BE allocation at the RE stage

has been attributed to non formulation of standards at the international level and non response from Industry on the Public Private Partnership (PPP) model upon which the Next Generation (NGN) labs are envisaged to be established by TEC. The Centre is, therefore, preparing a project estimate for approval of the Competent Authority to do away with the private investment during 2008-2009. The Committee feel that it is a step in the right direction for maximum utilization of Rs. 10 crore as earmarked during the year 2008-2009 and they hope that TEC would be able to initiate the process of establishing the Next Generation labs covering the state-of-art technologies in the Telecom Sector and complete the project within the stipulated time of four years. The Committee also desire that a satellite based broadband network as contemplated for the North-East Region during 2008-2009 with an earmarked amount of Rs. 1 crore is successfully carried out by TEC.

Action Taken by the Government

Planning Commission has approved Rs. 10 crore for the year 2008-2009 for TEC for NGN. Out of which Rs. 1 crore is earmarked for the North-East Region. The project estimate has been prepared and action is under process for obtaining approval of the competent authority.

For execution of satellite based broadband network for NE region, Government of three States *i.e.* Manipur, Sikkim and Meghalaya are being requested to allocate sites for installation of the terminals.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 23)

The Committee observe that in some core activities TEC has failed to achieve the targets fixed during the year 2007-2008. For example, out of preparation of 37 new Generic Requirements/Interface Requirements, TEC has been able to complete only 12 such Requirements as on 31 December, 2007. Similar shortfalls have also

been observed in Review of GRS/IRS, preparation of Test Schedule/ Test Procedure, etc. Reasons for such shortfalls have been stated to be global standards not being frozen and non fulfillment of the training requirements of the TEC staff. in view of the important activities undertaken by the Engineering Centre towards enrichment of the Telecom Sector, the Committee recommend that the aforesaid obstacles are promptly dealt with by the Department so that TEC is able to achieve important activities during the year 2008-2009. Particular care should be taken towards the training needs of the officials of TEC in that direction.

Action Taken by the Government

The Annual Action Plan for the year 2008-2009 has been formulated keeping in view the requirement of the industry. During 2008-2009, it will be ensured that activities are undertaken as per annual action plan. The formulation of policy for training to the officers in TEC is under process.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 24)

The Committee observe that the BE for WPC during 2007-2008 was Rs. 11.40 crore which was increased to Rs. 16.92 crore at the RE stage reportedly due to the estimate that Rs. 11.40 crore as allocated in the BE stage would not be sufficient to carry out the project National Radio Spectrum Management and Monitoring System (NRMMS). But the Committee are informed that the effective utilization of the allocated funds by the end of the year 2007-2008 fiscal would be Rs. 11 crore as the project would not be completed by March, 2008. The Committee feel that the Budget exercise carried out by the WPC is not up to the mark as is evident from the fact that there would be a shortfall of exactly the same amount which was enhanced at the RE stage *vis-à-vis* the 2007-2008 BE allocations. The Committee, therefore, impress upon the Department to resort to prudent planning so that

the fiscal management process does not go awry at the end of the financial year. The Committee also desire that the NRMMS Project which has already got delayed be completed by WPC in 2008-2009 fiscal itself by optimally utilizing the allocated amount.

Action Taken by the Government

The Allocated amount could not be utilized as the Contractors could not complete work as envisaged at the beginning of the fiscal year. WPC is making all efforts to optimally utilize the amount allocated in BE 2008-2009 and would take all the measure for prudent planning of the budget at Revised Estimate stage. Almost all the work under the project has been completed. The present status of the project is under:—

1. Out of 24 fixed sites (Wireless (Monitoring Stations etc.), 20 have so far been accepted.
2. All the 21V/UHF Mobile Monitoring System (MMS) vehicles have been delivered to their respective sites.
3. The Operational Acceptance Test document for final acceptance of National Radio Spectrum Management and Monitoring System (NRSMMMS) has been finalized and the testing in underway.

The Department is making all efforts to complete the Project by the end of the year 2008.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 25)

The Committee find that for WMO the BE 2007-2008 provided an amount of Rs 15 crore, at the RE stage it was reduced to Rs. 6.38 crore. The BE 2008-2009 for WMO prescribes an amount of Rs. 15.90 crore, the break-up being 9.90 crore for the technical schemes and

Rs. 6 crore for the civil works. Such drastic reduction at the 2007-2008 RE stage has been attributed to the delay in creation of Project Implementation Unit (PIU) for implementation of technical schemes, difficulty and delay in procurement of land for Wireless Monitoring Stations at Dibrugarh, Bangalore, Hyderabad and Ranchi. For the same reasons, WMO has remained a non starter in some of the important schemes even after the lapse of nine months of 2007-2008 fiscal. Taking into consideration the fact that creation of PIU is an essential requirement for implementing the technical schemes approved by the Planning Commission during the Eleventh Plan Period, the Committee recommend that the DoT should appropriately address the bottlenecks which have caused delay in the creation of such Unit so that WMO is able to fully utilize the 2008-2009 budgetary allocations. The committee also desires that expeditious measures should be taken to overcome the difficulties for procurement of land at various places, as mentioned above in order to enable WMO to set up Wireless Monitoring terminals there besides accomplishing other important schemes.

Action Taken by the Government

Technical schemes of WMO are to be implemented by the Project Implementation Unit (PIU). Appropriate steps are being taken for early creation of Project Implementation Unit.

The procurement of land for Wireless Monitoring Station at Dibrugarh through the Assam Government is under process. BSNL has agreed to provide its spare land at Bangalore to WMO for the establishment of permanent Wireless Monitoring station. Allocation of spare BSNL land to WMO for Wireless Monitoring stations at Hyderabad and Ranchi is under the consideration of the Committee constituted for the purpose.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 26)

The Committee note that during the year 2007-2008, out of the budgetary allocation of Rs. 134.97 crore for C-DoT, the actual expenditure (anticipated) by the year end is Rs. 115 crore. The BE 2008-2009 provides for an amount of Rs. 195.63 crore (including GBS and IEBR). Reasons for the shortfalls of approximately Rs. 20 crore have been stated to be due to the fact that a number of new technology programmes which were proposed during 2007-2008 required a detailed feasibility study before the commencement of the actual R and D work. The Committee are unable to accept such reasoning as it is least expected from a Centre of excellence. Moreover, before embarking upon any new schemes, the feasibility study should have been completed much in advance. Now with the assurance that such studies would be completed during 2007-2008 fiscal itself, the Committee hope that the financial and physical targets would be met fully during the year 2008-09. The Committee are of the firm opinion that by resorting to strategic alliances and partnerships with some of the leading technology development and front end marketing organizations both in the public and private sectors besides taking other appropriate and timely measures, C-DoT would be able to meet the challenges arising out of the changed telecom scenario of the country including increased competition and accelerated pace of technology evolution. That would materialize only if C-DoT achieves its annual fiscal and physical targets consistently.

Action Taken by the Government

For the Eleventh Five Year Plan, C-DoT has been focused areas like those for direct commercialization and the projects which are of national importance.

In order that C-DoT could achieve its annual fiscal and physical targets some of the actions taken are being as follows:

- C-DoT has set definitive deliverables and the projects have been re-prioritized accordingly.

- The ongoing programs have been grouped in a category which is nearing completion/in field trials or commercialization phase.
- The technology programs chosen also include migration of legacy technology systems deployed in the field into Next General Technologies. Further, there are two programs, which are of national and strategic importance. These programs are capital intensive having time commitment.
- The future technology programs are based on core technologies for which adequate expertise has been gained by way of trials, extended lab tests, pilot deployment in the field and developments through strategic alliances and partners.
- HR policies are also being reviewed for retaining skilled manpower.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 27)

The Committee observe that against an internal revenue generation target of Rs. 153.17 crore during the Tenth Plan Period, C-DoT was able to generate Rs. 124.19 crore only. The shortfall in this regard is witnessed during each year of the Tenth Plan excepting 2003-2004, when the actual amount raised exceeded the targets. Such shortfalls on the part of C-DoT in internal revenue generation, despite its expertise and excellence in the Telecom Sector, do not convey a sound financial health of the centre. The Committee, therefore, urge upon C-DoT to take all effective measures to cater to the need of the fast developing telecom market so that it is able to internally generate Rs. 337.47 crore as earmarked for the Eleventh Plan Period.

Action Taken by the Government

In the Eleventh Five Year Plan, C-DoT proposes to take measures to cater to the need of fast developing telecom market and achieve

its internal revenue generation target earmarked for the Eleventh Plan Period. Some of the steps are as follows:

- Some of the projects have been developed by C-DoT itself and some in conjunction with partners. After necessary trials, these systems would be pushed for commercialization.
- Major projects include both software as well as and mix of hardware and software projects. The concept to develop, built and operate applications would also help in achieving internal revenue targets.
- C-DoT also proposes sharing of IPR with others as well as value addition to its existing users and technical consultancy.

These measures would help C-DoT in achieving higher revenues during the Eleventh Five Year Plan as per the set targets for the same. The project(s) of national importance which includes telecom security are basically envisaged to give indirect benefits to country.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 28)

The Committee are concerned to note that against a Tenth Plan financial target for Rs. 64,889 crore BSNL was able to achieve Rs. 38.715 crore, with each year excepting the first year of the Plan Period, witnessing huge shortfalls. Not only that, during the first year of the Eleventh Plan Period, the BE outlay of Rs. 22,881 crore, was reduced to Rs. 14.065 crore at RE stage and the anticipated expenditure by the Company as on 31 March, 2008 is Rs. 6500 crore only. Such gross under utilization of funds during the entire Tenth Plan Period and the first year of the Eleventh Plan Period has been attributed to ambitious and optimistic planning, delay in the procurement of equipment and material, reduction in prices, forward bidding in tenders, late placement of orders, sabotage of BSNL network by miscreants etc. In their earlier Reports, the Committee have repeatedly been emphasizing that

procedural flaws as mentioned above should be dealt with by advanced planning and timely action in order to avoid sizeable shortfalls in expenditure. But it appears that the DoT/BSNL have paid least heed to be Committee's earlier recommendations for which the same bottlenecks still persist resulting in a dismal 59.66 per cent utilization of the Tenth Plan outlay by BSNL. The Committee would once again like to impress upon both DoT and BSNL to ensure that such procedural flaws are removed to the maximum extent possible so that the outlay of Rs. 76,192 crore proposed in the Eleventh Plan in general and that of Rs. 18,591 were for the year 2008-2009 in particular are utilized to the optimum. The measures already taken by DoT/BSNL in this regard like changes in the procurement policy to avoid delay in receipt of equipment and periodical monitoring of the implementation of projects/schemes are steps in the right direction and should be persisted with for maximum utilization of Plan outlays in view of the high shakes involved.

Action Taken by the Government

Necessary steps are being taken by BSNL to achieve greater utilization of the Plan outlay in Eleventh Five Year Plan Period in general and during the year 2008-09 in particular.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 29)

The Committee note that as on 31 December, 2007 the achievement of physical targets earmarked during 2007-2008 has been poor on the part of BSNL in almost all the Schemes, except Optical Fibre Cable (OFC). For example, against the target of 99.75 lakh Direct Exchange Lines (DELs), the achievement has been 37.93 lakh DELs only. Similar shortfall have also been observed in Broadband connections, Internet Connections and Trunk Automatic Exchanges (TAX) where the achievement percentage has been 45.43, 18.45 and 20.57 respectively. Surrender/disconnection of wires line telephone

connections, delay in the supply of Fixed Wireless Terminals, delay in placement of orders due to court cases, shortage of equipped capacity of broadband in the network and delay in TAX project tender have been cited as reasons for shortfalls in achievement of physical targets. The measures proposed for achievement of targets during the year 2008-2009 which *inter-alia* include quick financial concurrence and approval, faster tendering process and timely placement of orders should have been resorted to much earlier of optimum result. In the intense competitive environment in the Telecom Sector, the Committee feel that it is high time BSNL achieve the annual physical targets in the earmarked schemes/projects.

Action Taken by the Government

Physical Target and Achievement during 2007-08 in respect of various schemes are given below:

Sl. No.	Item	Unit of measurement	MOU Target 2007-2008	Achievement during 2007-2008
1	2	3	4	5
1	Total Telephone Connections	Lakh Connections	99.75	76.16
1(a)	Wired line Connections	Lakhs Connections	5.25	-21.86
1(b)	WLL Connections	Lakh Connections	10.5	10.21
1(c)	Mobile Connections	Lakh Connections	84	87.8
2	VPT	Nos.	21,000	5,424
3	Broadband Connections	Lakh Connections	10.5	10.55

1	2	3	4	5
4	Internet Connections	Lakhs Connections	8.4	2.42
5	TAX	Kilo Circuits	1,575	465
6	OFC	RKms	26,250	43,832

Suitable steps are taken to ensure achievement of the physical targets in the earmarked schemes/projects during the year 2008-2009.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 30)

The Committee note that except in Arunachal Pradesh in NE-II Circle and Sikkim, the teledensity in all other States/Circles in the North East Region was in single digit and the overall teledensity of the North-East Region was 5.04 as on 31 December, 2007. Specific mention may be made of Assam, Tripura and Manipur where teledensity as on the same date was 3.79, 5.04 and 5.56 per 100 people respectively. As the North-East Region has consistently remained a neglected area in the provision of adequate telecom facilities, the Committee desire that nearly 7 lakh connections, proposed by BSNL in the North-East Region during the year 2008-2009, are provided without fail to give an impetus to teledensity there.

Action Taken by the Government

All the CGMs of North-East Region Circles have been instructed by BSNL Headquarters to take appropriate action to monitor periodically the position of telephone connection in the region so that the target for addition of new telephone connections for the year 2008-2009 can be achieved to increase the teledensity in the region.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 31)

The Committee observe from the Annual Report of the Department of Telecommunications that a total number of 30,689 VPTs have been provided in the North-East Region as on 31 December, 2007. But from another statement furnished in the same Annual Report, it is observed that during the year 2007-2008 BSNL has been able to provide 30,721 VPTs in just nine months. When pointed out by the Committee that whether BSNL has actually been able to provide more VPTs in less than one year than what it has done in a number of years, the Department later on corrected themselves that the achievement of VPTs in the North-East Region during 2007-2008 (upto 31 December, 2007) is actually minus 2178 VPTs. The Committee feel that when important documents like the Annual Report of the Ministry/ Department are placed before the Parliament, utmost care should be taken to ensure that incorrect/misleading figures do not appear in them. However, as recommended elsewhere by the Committee, the Department/BSNL should take measures for provision of the required number of VPTs in the North-East Region in the coming years. The Committee also recommend that the targeted broadband and internet connections in the North-East Region should be achieved by taking suitable measures to overcome the problems like delay in delivery of equipments and non availability of infrastructure.

Action Taken by the Government

Bharat Nirman Yojna:— A total number of 66,822 uncovered villages are to be provided with Village Public Telephones (VPTs) in the country, excluding those villages having population of less than 100 and those lying in deep forests and those affected with insurgency. Out of this, 12,609 villages are planned to be provided with VPTs in the North-East (including Sikkim). As on 31st March, 2008, 9,829 villages have been provided with VPTs and the balance 2,780 villages are planned to be provided progressively with VPT through satellite network by end of June, 2008.

Broadband Services:— Broadband service in Sikkim and North-Eastern States is presently available in the following cities:—

Sl. No.	Name of the State	Name of the City covered
1	Assam	Guwahati, Dibrugarh, Jorhat, Silchar, Tinsukia, Dispur, Nagaon, Ongaingaon, Tezpur, Lakhimpur, Marigaon, Sibsagar, Nazira, Barpeta, Dhemaj, Dhubri, Diphu, Goalpara, Golaghat, Karimganj, Kokrajhar, Nalbari and Mangaldai
2	Meghalaya	Shillong
3	Mizoram	Aizwal
4	Tripura	Agartala
5	Nagaland	Kohima, Dimapur, Mokokchung, Tuesnsang and Wokha
6	Manipur	Imphal
7	Arunachal Pradesh	Itanagar, Tezu, Yupia Pasighar and Ziro
8	Sikkim	Gangtok, Geyzing, Mangan and Namchi

The status of Broadband and Internet connections in North-East Region as on 31.03.2008 is given below:—

Sl. No.	Circle	Broadband	Internet
1	2	3	4
1	Assam	20,423	29,453
2	NE-I	4,783	179,351

1	2	3	4
3	NE-II	2,463	18,788
4	Sikkim	1,287	1,491
Total		28,956	229,083

The target and achievement in Broadband and Internet connections for the year 2007-2008 is given below:—

Sl. No.	Circle	Broadband		Internet	
		Target	Achievement	Target	Achievement
1	Assam	10,000	12,807	3,500	1,643
2	NE-I	2,000	2,566	4,300	29,346
3	NE-II	1,200	1,401	1,500	1,427
4	Sikkim	500	645	500	155
Total		13,700	17,419	9,800	32,571

Following measures are planned to be taken to ensure optimal achievements of physical targets in the North-East Region during 2008-2009:—

- BSNL has plan to cover 100% District Headquarters and 100% Taluka Headquarters by wireline ADSL 2 plus technology and wireless Wi-Max technology and expect to provide broadband on demand in NE Region.
- Recently, a low level entry schemes of Rs. 125/- has been introduced to further proliferate Broadband services.

- BSNL has also tied up with PC vendors to increase PC penetration in some places of NE Regions.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 32)

The Committee observe that the target for Switching capacity in the TSP areas during 2007-2008 was 10 lakh lines whereas the achievement as on 31 December, 2007 has been 5,87,558 lines. Similarly out of a target of 6 lakh Direct Exchange Lines, the achievement during the corresponding period has been 4,24,331 lines. However, the Committee draw consolation from the Department's assurance that the targets in both the abovesaid Schemes would be achieved by the end of 2007-2008 fiscal and believe that there would be no shortfalls in this regard in coming years also. The Committee desire that constraints like poor availability of electric supply and transport facilities, as experienced in the TSP areas, should appropriately be taken up with the respective State Governments to facilitate smooth provision of telecom facilities there.

Action Taken by the Government

During the year 2007-2008, BSNL added 9.41 lakh lines switching capacity in TSP areas in the country against the target of addition of 10 lakh lines.

BSNL also added 7.67 lakh new telephone connections during the year 2007-2008 against the target of addition of 6.00 lakh telephones in TSP areas in the country.

BSNL continuously pursues with the State Governments for provision and uninterrupted supply of electricity in rural areas.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 35)

The Committee are highly perturbed to note that the large surrender/disconnection of BSNL telephones is still unabated. In less than two years the Company has lost more than 85 lakh wired line customers, 70 lakh mobile customers and about 12.7 lakh WLL customers totaling about 1.68 crore customers for various reasons. Incidentally in the first eleven months of 2007-08, 41,45,959 wired line connections were surrendered. During the same period 41,55,237 mobile connections were also surrendered. Preference of the customers for mobile phones, one of the reasons as advanced by the Department of surrender of landline phones, is not sustainable because in the first 11 months of 2007-08, the number of mobile connections surrendered/disconnected is more than those of wired lines. The Committee feel that there is something more to it than this frequent *alibi* extended by the Company year after year. The Committee have reasons to believe that the International Data Corporation (IDC) study conducted in 2003-04, through a bit outdated now, had very correctly pinpointed two main reasons behind this negative phenomenon as 21% of respondents being dissatisfied with services of BSNL and 25% respondents perceiving the monthly rental being high. The Committee would like the Company to focus their energies on how to overcome these two major shortcomings than harping merely on migration from fixed lines to mobile segment. In the opinion of the Committee if these two aspects are taken care of there is no reason that the Company will not be able to control the problem of surrender of telephone effectively. The Committee would like to be apprised of the strategies devised by the Company in this regard at the soonest.

Action Taken by the Government

BSNL is continuously monitoring the quality of service parameters and vigorously pursuing with the field units to achieve the targets/benchmark fixed by TRAI. Regular monitoring at all levels

[viz. CMD, Director (O) & DDG concerned] with all Telecom Circles is being done. Further, Management Committee of BSNL is reviewing various vital parameters related to quality of landline service on monthly basis. With the various steps taken by BSNL, the overall performance regarding quality of service parameter is improving which is reflected in the following table:—

Sl. No.	Parameter	Achievement during the year				
		2003-04	2004-05	2005-06	2006-07	2007-08
1.	Fault rate	8.4	7.6	7.2	6.46	6.1
2.	CCR (Local)	57.85	59.89	60.14	61.4	63.32

All out efforts are made to improve the quality of landline service. BSNL has carried out pole less activity in a big way. As on date, about 40% of the existing network has been made poleless with which smooth and fault free service to landline and broadband customers are envisaged.

Regarding mobile services, it is submitted that BSNL is monitoring Quality of Service on regular basis at different levels and maintains the same comparable with that of any other operator. Recent study conducted by M/s VOICE confirms this aspect. However, BSNL is augmenting its mobile network progressively so as to enhance coverage, capacity and to further improve the quality of service. BSNL is optimizing its network continuously for better performance. As on 30.04.2008, 76% of network has been optimized and work for balance is in process.

As regards the perception of the customer of high monthly rental charges of telephone, it is intimated that:

1. The present telecom tariff for landline customers is highly competitive. It is not only below cost but also below the level/ceiling prescribed by Telecom Regulatory Authority of India.

The details of fixed monthly charges under rural and urban areas are as under:—

Exchange system capacity	Standard Package of TRAI (Rural)	General Package of BSNL	
		Rural	Urban*
1	2	3	4
Upto 999 lines	Rs. 70	Rs. 50	Rs. 120
1000 lines to < 30000 lines	Rs. 120	Rs. 110	Rs. 120
30000 lines to < 100000 lines	Rs. 200	Rs. 150	—
100000 lines and above	Rs. 250	Rs. 150	—

*As per the 20th Amendment (4 of 2002) to TTO'99 dated 14.3.2002, the Telecom Regulatory Authority of India (TRAI) had recommended the rationalization of rental for rural subscriber based on the exchange system capacity of the entire SDCA but BSNL continued to follow the old practice under which BSNL took the capacity of (single) exchange that existed prior to 15.8.1998, *i.e.* before the local call area became co-terminus with the short distance charging area (SDCA). Accordingly rural subscribers are still getting benefited.

2. Apart from concessional rental, BSNL also allows more free calls per month *viz.* 75 for rural subscriber against the 50 mandated by TRAI.
3. For exchange system capacity more than 29999 lines, BSNL is offering One India Plan under which a customer can call within India at Rupee One per minute.
4. With effect from 14th January, 2008, BSNL has offered "Personal Accident Policy for BSNL subscribers" worth Rs. 50000/- without any charge from the customer, which covers Accidental Death and Permanent Total Disability due to accident, for its esteemed customers comprising the

working BSNL Landline, WLL (wireless in local loop) and Post-paid Mobile connections.

5. In addition powers has already been delegated to Head of Circle for *offering matching tariff to counter the package of private operators* even cheaper up to 10% than the competitor's package *i.e.* they can reduce the fixed monthly charges or increase the free calls or both as per prevailing market conditions.
6. Recently BSNL has introduced annual/biennial plan for Rural and Urban customers with effect from 1st May, 2008. The main objective of introducing these plans is to check the churn of BSNL landline customer in rural and urban areas. The details are as under:—

Particulars	Rural		Urban		
	Plan 600	Plan 1000	Plan 1200	Plan 2160	Plan 1800
Lump-sum fixed charges (non-refundable)	Rs. 600	Rs. 1000	Rs. 1200	Rs. 2160	Rs. 1800
Monthly charges	Nil	Nil	Nil	Nil	Nil
Free calls per month (MCU)	30	30	30	30	30
Total Free Calls in MCU during the validity of plan	360	360	360	360	360
Unit rate per MCU	0.80	1.00	1.00	1.00	1.00
Validity	12 months	12 months	12 months	24 months	12 months
Pulses	As per General Plan	As per One India Plan	As per General Plan	As per General Plan	As per One India Plan

7. BSNL is also in process of implementation of CDR based billing system which is likely to be implementing within 6 to 8 months time. After implementation of CDR based billing system, it will have more flexibility to offer lower fixed monthly charges plan and also rebalancing the existing plans based on the needs of the customers and market conditions.
8. Moreover, the tariffs offered by BSNL for Land Line are being reviewed from time to time on the basis of needs of the customers, prevailing market conditions and keeping in view TRAI guidelines.

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2008-B dated 15 July, 2008)

Recommendation (Para No. 36)

The Committee find that the BSNL have taken several measures to improve the quality of service in all segments of its activities to retain the existing customer base and allure new ones. These include technical and technological improvements, value added service like high speed internet and SMS, expansion of GSM network to overcome congestion. On the marketing front BSNL has taken several steps to communicate effectively with the users through various means like electronic, process digital, out of home, door to door campaigns, road shows, customers meets, etc. Apart from these measures, enhancing sensitivity of employees through training, delegation of business, development powers to Circles, aggressive marketing, ample budgetary allocation are some of the other steps taken by the company to enhance its market share. From their own experiences as BSNL users and also the feedback received during the study visits undertaken to various Circles, the Committee feel that the Company has still a long way to go in-so-far as quality of services is concerned. The very high number of surrender of telephone discussed previously is another stark pointer towards deficiencies in services of the Company. The Committee have a lurking doubt that the series of well meaning measures taken by

the Company are not being implemented properly. They, therefore, desired that BSNL should very sincerely and earnestly ensure that the benefits of the measures initiated by it to improve quality of services are effectively transferred to the customers.

Action Taken by the Government

The observations/recommendations made under above mentioned para are noted. In this regard, it is submitted that BSNL will continuously endeavor to ensure that benefits of improvement in Quality of Service are effectively transferred to our valued customers.

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2008-B dated 15 July, 2008)

Recommendation (Para No. 37)

The Committee are distressed to note that despite their recommendation in the Forty Fourth Report on Demands for Grants (2007-08) for MTNL to learn from its underperformances during the entire Tenth Plan period, it seems that no effort has been made by the company to improve its performance. It is evident from performance of MTNL in the very first year of the 11th plan when a sum of Rs. 649.59 crore has been spent by the company till Dec. 2007 which is 32% of the 2007-08 RE amount of Rs. 2042.00 crore. The position would not improve as there is no possibility of the remaining funds being fully utilized in the last quarter of 2007-08. The Committee are really dismayed by this lack luster performance of MTNL and desire that it should put its house in order without wasting any further time so as to ensure that precious funds meant for the development of the crucial telecom sector are optimal and judiciously utilized during the remaining four years of the Eleventh Plan.

Action Taken by the Government

The total capital expenditure incurred by MTNL upto March 08 is Rs. 914.33 cr. (unaudited) which comes to 44.77% of RE (Rs. 2042 crore) of 2007-08. The BE was revised due to non-supply of equipment/

completion of installation in time by one of the vendors for major projects planned for execution in the year 2007-08 and some delay in overseas acquisition. The details of which are as under:—

- M/s ITI on whom PO for Broadband and GSM was placed for Mumbai has not been able to supply majority of the equipment.
- The convergent billing project is 80% completed however due to certain integration issues, the project is yet to be commissioned. The payment can only be released after the completion of the project.
- Negotiations are underway for acquisition of Suntel in Sri Lanka and hence amount for expansion has not been utilized.

MTNL is meeting its 100% funding requirements through internal resources, so non-utilization of funds are not hampering Telecom Sector in general. MTNL is having state of the art network and services that include broadband based on ADSL 2+ technology, GSM 2.5 G with 3G core. MPLS/IP transport, IPTV based on MPEG-4, CDMA based on 2000-IX, etc. MTNL is providing all the latest services to its customers.

MTNL shall make all endeavors to optimally utilize the eleventh plan outlay.

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2008-B dated 15 July, 2008)

Comments of the Committee

(Please see Paragraph No. 32 of the Chapter-I)

Recommendation (Para No. 38)

A review of the physical achievements of the company in the Tenth Plan paints an equally dismal picture as achievement are very

low in all areas of activity. There is about 56% achievement in regard to net new connections; 37.50% in Tax/Tandem capacity creation; 34.48% in DLCs; 56% in OFC and 50% in PCUT cable replacement sectors which is deplorable. During the course of the examination of the Demand for Grants 2007-08 the Committee while taking note of the poor physical achievement of MTNL had asked it to ensure there is no repeat of such a dismal performance in the 11th Plan. Sadly this has not happened. The achievement of MTNL in 2008-09 are a repeat of its performance in the Tenth Plan. The targets for Net Switching Capacity including capacity for WLL (CDMA) and GSM were drastically reduced from the BE stage projection of 20 lakh to 9.5 lakh at the RE stage. The achievement (8600) as on 29.02.08 *i.e.* at the end of 11th months are not even 1% of even the RE stage target. Net new connection target at 11.6 lakh at BE stage were reduced at the RE stage to 7.00 lakh and the actual achievement is 4.24 lakh. The BE target for DLC/DSLAM/FTTH and Metro Ethernet ports was 12.50 lakh. It was brought down to 5.00 lakh and the achievement is 5.67 lakh. In view of the ever evolving dynamics of telecom technologies, fierce competition and emerging options the Committee feel that unless MTNL behaves professionally, it will not be able to face the challenges that are looming upon the telecom industry universally. The Committee therefore desire that the MTNL management should work out a blue print in both short terms and long term perspective on a priority basis so that the company gets down to the business of achieving its target in right earnest to avoid the time and cost overruns. The Committee would like to be apprised of the concrete measures taken by MTNL in this regard at the earliest.

Action Taken by the Government

MTNL had exceeded the 10th plan target for Net switching capacity. The reason for the minor shortfall in achieving some of the 10th plan target had already been submitted to the Committee and is reiterated as under:—

In the telecom sector where the technology is changing very fast and becoming obsolete it is very difficult to forecast the requirements

very well in advance and some changes in the plan are inevitable. Despite less expenditure MTNL installed the capacity that it had set the targets for and has met nearly all the targets as detailed below:—

Sl. No.	Parameter	Plan Target	Achievement	% achievement
1.	Net switching capacity including WLL and Cellular in Lakhs	30.57	33.01	107.98
2.	New connections (including WLL, Cellular and Broadband) in Lakhs	27.57	23.91	86.72
3.	DLC	2100	724+934 DSLAM	78.95*
4.	OFC (Fiber Kms)	241920	192759	79.68
5.	PCUT replacement (Lakh Conductors Kms)	58.31	30.80	52.83

*leaving DSLAM % achievement is 34.48

Reasons for shortfall

The physical parameters specified in the plan are dynamic in nature. However, the specific reasons for shortfall are as under:—

- 1. New Connection:—** There is a minor shortfall in case of new telephones connections since there is a general decline in the demand for fixed line telephone and there is a tendency to shift to cellular mobile service. However, fixed lines telephones are available “on demand” in MTNL. MTNL market share for GSM has grown to more than 17% inspite of being a much late entrant.
- 2. DLC:—** The consolidated targets of DSLAM/DLC which later introduced in the plan targets instead of DLC have been

achieved. Approx. 5 lakhs ports of Broadband were added by adding 934 DSLAMs. The broadband service of MTNL has been very successful and therefore it was decided to install more DSLAMs than DLCs.

3. **OFC:—** The annual targets were kept lower in later years keeping in view the requirement. It may be stated that inspite of the large Broadband deployment, there has been no shortage of fibre in the network.
4. **PCUT Cable Replacement:—** A total of 58.3 LCKM of PCUT cables was planned for replacement in the 10th plan out of which 29.6 LCKM and 28.7 LCKM were targeted to be replaced in 2002-03 and 2003-04 respectively. The requirement of PCUT cables were linked with the installation of new RSUs which in turn was linked to demand for fixed lines. As there was no demand for fixed lines, the replacement of PCUT cable was done as per requirement. These dynamic adjustments, taking market realities into account were done in the best interest of MTNL under the prescribed Annual Plan procedure.

As regards first year of the Eleventh Plan *i.e.* 2007-08 the Budget, Revised targets set by MTNL for equipped capacity and new connection and the achievement there of as on 31.03.08 are as under:—

Sl. No.	Items	BE (07-08)	RE (07-08)	Achievement As on 31.03.08
1	2	3	4	5
1.	Net Switching Capacity including capacity for WLL (CDMA) and GSM	2000K	950K	767K

1	2	3	4	5
2.	Net new connections including WLL and Cellular connections	1160K	700K	679K
3.	DLCs/DSLAM/FTTH and Metro Ethernet Ports	1250K	500K	77.93K
4.	Optical Fibre Cable	60000 Fibre Km.	60,000 Fibre Km.	43056.936

The main reason for the revision in targets are explained further as under:

- Inability of ITI to install 750K GSM equipment in Mumbai.
- Inability of ITI to supply 300K BB equipment in Mumbai. Although PO for 300K BB in Mumbai was placed on ITI it could supply only 42.7K equipment and expressed its inability to supply the remaining equipment.

The laying of OF and PIJF cable depends upon a number of factors like permission for digging by the local authorities. This problem is more acute in Delhi where commonwealth games are proposed to be held in 2010 and getting permission for digging is difficult. However, MTNL expects to overcome the shortfall in the targets in the year 2008-09.

Some of the measures being taken by MTNL for the current financial year are:—

1. MTNL is coming out with a tender for Converged network based on IP/MPLS technology. This service independent converged network will help faster deployment of new services and will bring IP nearer to the customer.
2. MTNL plans to float a tender for 1 million broadband lines wherein a soft switch is also been procured for providing VoIP services in addition to the ADSL broadband lines.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 39)

The committee would however, like to point out to DOT an important issue which is laying a major bearing on the performance of both the BSNL and MTNL. The two PSUs are under obligation to order 30 percent of their requirement to ITI which is another PSU. The committee find that delays in supply/incomplete supply of orders by ITI to affect the performance of these two PSUs adversely to a substantial extent. In the very competitive and cutthroat telecom sector this even leads to the two companies loosing irretrievably its customer base as also goodwill which is not acceptable. The committee would, therefore like DOT to find out a via media so that the commercial interest of BSNL & MTNL are not affected any further and the interest of ITI is also not compromised.

Action Taken by the Government

ITI is receiving reservation quota orders of 30% from the customer viz., BSNL/MTNL. The reservation of orders are not only helping ITI but are beneficial to the customer also in the following manner:

- ITI has been receiving orders under reservation quota and delivery of the equipment and services to the customer would normally commence much before the finalisation of a particular tender. The revenue generation of the customer starts which before the actual finalisation of the tender.
- ITI receives the orders with provisional pricing which are regulated later with the prices of the L1 bidder. The equipments are supplied and services are rendered without even knowing the actual final price of the equipments.
- ITI acts as a balancing force against probable cartilisation by other vendors.
- ITI has always supported the customer in hours of need at no extra cost and offers assured after sales service the minimum repair and return time.

- 30% reservation quota has immensely helped BSNL and MTNL in their procurement process as they start getting ahead of tender finalisation and presence of ITI makes other vendors also to quote competitively.

By and large, ITI have been complying with the delivery schedules stipulated in the purchase order by the customer. However not meeting the delivery schedule in some cases were mainly due to:

(a) Severe financial crunch and lack of working capital for production.

(b) Business not viable in view of L1 price offer.

However, ITI hopes to overcome the above problems for the future supplies as the Revival package submitted by the company is under the consideration of the Government and if approved the financial position of the company will improve. Also, now DoT has permitted ITI to accept the RQ orders only after the price is known and the same is commercially viable.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 40)

The committee note that MTNL has like previous years again failed to tackle the problem of outstanding arrears of defaulting customers. Against the 31 March 2007 figures of Rs. 1218.43 crore the arrears as on 29.02.08 stand slightly less at 1203.98 crore. The break up being Rs. 935.51 crore for basic services, Rs. 90.72 crore for CDMA and Rs. 177.74 crore for GSM. Impliedly the measure being taken by MTNL which include strong monitoring at corporate Level implementation of a revenue assurance programme, automated telephonic reminders to defaulters recourse to legal measures, have proved grossly insufficient. At the time of the examination of Demands for Grants (2007-08) the committee on being informed that a convergent billing system that could control realization of outstanding was being introduced, had asked MTNL to do so urgently so that this problem

was taken care of with out any delay. The committee find that the proposed Billing System is still at the proposal stage even after a year. Taking a serious note of this delay the committee desire that the Convergent billing System be introduced without wasting any further time and realization of the outstanding arrears be expedited.

Action Taken by the Government

1. MTNL has progressively brought down outstanding arrears over the past three years. The total outstanding amount on 31.3.2005 was Rs. 1286.21 crore. This has been reduced to Rs. 1188.62 crore as on 31.3.2008. This reduction of Rs. 97.59 crore has been achieved in spite of average annual billing of about Rs. 4500 crore over each of these three years. The details of year-wise outstanding are as follow:—

(Amount in crore)

Unit	Services	31.3.05	31.03.06	31.03.07	28.02.08	31.3.08*
MTNL	Basic	1163.11	1053.25	969.79	935.51	927.12
	CDMA		82.16	91.43	90.72	95.65
	GSM	123.10	137.27	157.21	177.74	165.86
	Total	1286.21	1272.68	1218.43	1203.98	1188.62*

(*Unaudited)

2. Out of the total outstanding of Rs. 1188.62 crore, Rs. 857.87 crore is old outstanding, accumulated over a long period. The total Amount Billed For (ABF) since 1986 is Rs. 80541.95 crore, against which the total outstanding of Rs. 1188.62 crore as on 31.3.2008 is 1.48%. While all efforts are being made to recover the outstanding, every business has bad debts. Earlier it was possible to effect recovery by resorting to disconnection as MTNL was a monopoly service provider, whereas now the customers can simply move on to another operator without paying their bills. However, MTNL has been able to bring down the outstanding drastically.

3. The Action being taken by MTNL to further improve the recovery mechanism are:—

- a. Strong monitoring of outstanding dues at the corporate level and at the units Head Quarter level as well as in the areas. High targets were set and the units were constantly placed on their toes to achieve them.
- b. In respect of old outstanding dues relating to period upto 31.03.2005 separate targets was set. Private recovery agents were also employed for making recoveries.
- c. A Revenue Assurance program has also been implemented in MTNL wherein efforts are being made to ensure that maximum Revenue Billing and Revenue Realization takes place to further reduce the outstanding dues
- d. Convergent Billing System is being introduced for achieving further control on realization of outstanding.
- e. Automated telephonic reminders to subscribers who default in making payments of their bills.
- f. Further action of disconnection of the telephone including disconnection of other working connection of the subscribers is also initiated in case payment is not received.
- g. Legal notices are therefore served to those subscribers who despite the reminders fail to make the payments of the telephone bills.
- h. In the events of the above efforts not yielding results, recovery suits are filed in the court of law wherever possible.

4. MTNL is very much keen to introduce the Convergent Billing System promptly. The individual bills for all the services of MTNL are being printed through Convergent Billing System. Interconnection of most of the line of the business with Billing System has already been done and testing of the same is in progress. Target Date has been

fixed for the Convergent Billing System as October' 2008 and will be achieved."

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Comments of the Committee

(Please see Paragraph No. 35 of Chapter-I)

Recommendation (Para No. 41)

The committee note that MTNL has been able to contain the negative growth trend of the fixed line telephones during the last three years despite of all efforts being made by it. 3.65 lakh fixed line connections comprising of about 1.44 lakh connections in Delhi and Mumbai and 2.21 lakh have been surrendered during the years 2005-06, 2006-07 and 2007-08 (upto 31.1.08) several measures like competitive tariff increase in penetration of broadband, bring Delhi and Mumbai under local call facility etc. taken by MTNL have not been able to stem the tide. The committee hope that with the introduction of such add on services like broadband, IPTV, VOIP etc. MTNL will be able to arrest this decline at least in 2008-09.

Action Taken by the Government

There is a general decline in the demand for the fixed lines telephone as there is a tendency to shift to mobile services because of its sheer convenience with regards to affordability and availability. This is a world wide trend that when liberalization takes places and monopoly is removed in telecom sector there is a churn in fixed line subscribers.

Following are the steps taken by MTNL to sustain the number of landlines customers and the profits earned by MTNL:—

1. Implementation of a host of new value added services on fixed line Internet, Broadband, IPTV, VOIP etc. in line with the emerging trends.

2. Introduction of new and attractive tariff plans.
3. Offering calls between Delhi and Mumbai as local calls.
4. Offering various combo packages at attractive prices to increase popularity of various products of MTNL.
5. Offer free services as add on to existing service *e.g.* a second free landline to add on to existing landline.

MTNL has been able to arrest the decline in absolute terms in fixed line by taking the above measures. For the last 2-3 years the number of fixed line subscribers as on 31 March is as under:—

Year	Fixed line connections as on 31st March	Reduction in fixed line connection over the previous years	% Decrease in Reduction over the previous years
2004	4367234		
2005	4075340	(-)291894	6.68
2006	3877608	(-)197732	4.85
2007	3801510	(-)76098	1.96
2008	3807081	(+)5571	0.15 (increase)

In addition to this MTNL plans to come out with 1 Million line tender on Broadband in the year 2008-09 so as to expand its subscriber base for services like Broadband, IPTV, VOIP, etc. in order to arrest the decline in the fixed line.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 42)

The committee note that several measures have been put in place by MTNL to ensure high quality services to its a customers.

Improvement in network systems, digitization of exchanges, installation of additional BTSs, providing value added services, offering competitive tariff structures and combo packs, offering per services as add on, creative media campaigns are to quote a few of them. The committee is, however, constrained to state that the quality of services of MTNL in both Delhi and Mumbai leaves a lot to be desired, particular in cellular segment. The recent massive breakdown of cellular services are glaring examples of the service deficiencies of MTNL. The committee feels that in the present scenario the fierce competition MTNL can ill afford such laxity and deficiency in services and expect that hence forth the company will devote all its energy to overcome then in right earnest.

Action Taken by the Government

The Quality of Service (QoS) parameters of various services:—

1. Cellular Services:—

Mobile network of Delhi & Mumbai are meeting all the benchmarks as prescribed by TRAI. There was a temporary congestion in GSM network in Delhi during Feb./Mid March as MTNL was migrating the Core equipments to latest state of the art equipment that supports 3G and also expanding the capacity by 7,50,000 lines. The network is operating satisfactorily now.

2. Basic Services:—

2.1 MTNL Delhi

2.1.1 Fault incidences (Benchmark <5%):— The value of this parameter for MTNL Delhi is 5.89 and is approximately near the benchmark prescribed by TRAI. This is considered satisfactory seeing the size of network, age of the network and the massive digging activities being carried out by civic agencies like MCD, DMRC, Jal Board etc.

2.1.2 MTNL Delhi is continuously upgrading the network to improve the QoS parameters. Following is the achievements in 2007-08:—

Sl. No.	Item	Achievement
1.	Upgradation/Punching of Pillar Tag blocks	1974 Nos.
2.	Upgradation/Punching of Tag blocks of DPs	4832 Nos.
3.	Upgradation/Punching of MDF Tag Blocks	3281 Nos.
4.	Replacement with Joint less drop wire	2482 Km
5.	Replacement of old telephone instruments	3903 Nos.
6.	Merging of Pillars	34 Nos.
7.	Replacement of PCUT cables	39.5 LCKm
8.	Rehabilitation of DELs	4642 Nos.

2.2 MTNL Mumbai

It may be seen that the performance of MTNL Mumbai is improving in respect of all these parameters during the year 2007-08 as below:—

Sl. No.	Parameter	QE June 2007	QE Sep. 2007	QE Dec. 2007	QE Mar. 2008
1.	Fault incidence	9.59%	13.09%	7.84%	6.79%
2.	Fault repaired by next working day	79.58%	75.87%	85.61%	89.95%
3.	MTTR	24.64 Hrs.	27.80 Hrs.	17.61 Hrs.	13.11 Hrs.

2.2.1 The major problem is in 3 Areas, mainly West-I, West-III and Navi Mumbai where there is a large portion of Overhead lines. MTNL Mumbai has planned to reduce the overhead lines by adding RSUs and taking other Rehabilitation measures. It is expected that these parameters will improve further in 2008-09.

2.2.2 There is also a serious problem of intensive damage done to cable by MMRDA, MSRDC, Metro-rail, GMMC, TMC, NMMC, MBMC etc. which is causing more number of faults and also delays the repair of faults because of damage to the cables. MTNL Mumbai is making close co-ordination with the local authorities to reduce the faults.

Following is the achievement in rehabilitation of external plant in 2007-08 in MTNL Mumbai:—

Sl. No.	Item	Achievement
1.	Upgradation/Punching of Pillar Tag Blocks	566 Nos.
2.	Upgradation/Punching of DP Tag Blocks	15971 Nos.
3.	Upgradation/Punching of MDF tag blocks	2067 Nos.
4.	Replacement with Jointless Dropwire	1985.217 Km
5.	Replacement of Old Telephone Instruments	120849 Nos.
6.	Replacement of PUCT cables	3.8698145 LCKm

3. Broadband Services

3.1 MTNL Delhi

3.1.1. Provisioning of services: This parameter is affected due to shortage of capacity of DSLAM ports. MTNL Delhi had planned to add 1.63 lakh ports in 2007-08 but only 30,000

ports could be made available by the vendor, hence there is a heavy delay in provisioning. This parameter will substantially improve by June 2008.

3.1.2 Fault Repair: Same as in basic service for MTNL Delhi as at Para 2.1 above.

3.1.3 International Bandwidth utilization/Throughput: MTNL Delhi keeps on ordering and adding Bandwidth at regular intervals to ensure that there is no congestion in the network and that the TRAI QoS parameters are met. MTNL has more than doubled the provisioned Bandwidth from 810 Mbps in April 07 to 1727 Mbps in Feb, 08.

Further, MTNL Delhi has replaced its Gateway Routers of 3-COM (which support only FE and STM-1 links) to NE-40 Routers which supports Gigabit links. Lot of effort was put in to make this switch-over happen without interrupting the services as the activities involved were very complicated which included setting up the Hardware, extending connectivity, establishing Peering with existing set up as well as with M/s VSNL and M/s Reliance and then switching over. Since Bandwidth has already been shifted to Gigabit links, congestion is not likely to happen as any augmentation in Bandwidth can be done relatively easily.

3.2 MTNL Mumbai:

3.2.1 Provisioning of Services: MTNL Mumbai had planned to add 1 lakh ports in 2007-08 but only 34,000 ports could be made available by the vendor, hence there is a heavy delay in provisioning. This parameter shall improve by June 2008 after the capacity in DSLAM is available.

3.2.2 Fault repair: Same as in basic services for MTNL Mumbai as at Para 2.2 above.

3.2.3 Response time to the customer for assistance (Voice to Voice): 20 Operators positions have been added in Dec. 2007

to improve the response time of the operator. The parameter for calls answered within 60 sec. has been achieved in QE March 2008 (68.8%) and the parameter for calls answered within 90 sec. has now improved.

3.2.4 **International Bandwidth utilization/Throughput:** Similar action as in Delhi is being taken. Change over to Gigabit likely by June 08.

4. POI congestion (<0.5%):— In general there is no congestion on POI of MTNL for all services.

4.1 MTNL Delhi: In monthly report for Dec. 2007, MTNL Delhi there was congestion on the POI with TTL and VSNL. To overcome it, 3 Nos. of additional E1's have been added between SN MSC and TTL (wireless) and for VSNL route overflow of VSNL from SN MSC is now routed to KB MSC to take care of congestion on direct route.

However, the concern expressed by the Hon'ble Committee has been noted and all possible steps will be taken to not only provide state of the art services on demand but also meet the QoS parameters fully.

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2008-B dated 15 July, 2008)

Recommendation (Para No. 44)

The Committee note that in order to enable its ways and means to some extent, DoT have stipulated that a reservation quota of 30% procurement of BSNL/MTNL be earmarked for ITI. Though the Department have stated that ITI has been generally complying with the terms and conditions of supply orders of these PSUs, the Committee on the basis of feedback received during their Study Visits to field offices of BSNL and MTNL are constrained to state that there are several deficiencies in this regard. The Committee would, therefore, like the Department to work out a *via* media so that BSNL and MTNL

do not suffer commercially in an arrangement which is meant to help out a sister PSU. The Committee also desire that ITI should continue its efforts to diversify and upgrade its product range to not only cater to the need for a fast changing telecom market but also to subserve its own interests.

Action Taken by the Government

ITI is receiving reservation quota orders of 30% from the customer viz., BSNL/MTNL. The reservation of orders are not only helping ITI but are beneficial to the customer also in the following manner:—

- ITI has been receiving orders under reservation quota and delivery of the equipment and services to the customer could normally commence much before the finalisation of a particular tender. The revenue generation of the customer starts much before the actual finalisation of the tender.
- ITI receives the orders with provisional pricing which are regulated later with the prices of the L1 bidder. The equipments are supplied and services are rendered without even knowing the actual final price of the equipments.
- ITI acts as a balancing force against probable cartilisation by other vendors.
- ITI has always support the customer in hours of need at no extra cost and offers assured after sales service with minimum repair and return time.
- 30% reservation quota has immensely helped BSNL and MTNL in their procurement process as they start getting ahead of tender finalisation and presence of ITI makes other vendors also to quote competitively.

By and large, ITI have been complying with the delivery schedules stipulated in the purchase order by the customer. However, not meeting the delivery schedule in some cases were mainly due to:

- (a) Severe financial crunch and lack of working capital for production.

(b) Business not viable in view of L1 price offer.

However, ITI hopes to overcome the above problems for the future supplies as the Revival package submitted by the company is under the consideration of the Government and if approved the financial position of the company will improve. Also, now DoT has permitted ITI to accept the RQ orders only after the price is known and the same is commercially viable.

ITI is making all out efforts to diversify its product range and has plans for diversification into the following areas:—

- Electronic warfare and tactical communication services.
- Terrestrial Trunk Radio Network (TETRA) for Defence, Railways, Police etc.,
- Contract manufacturing services, MMS, EMS.
- Managing services for BSNL/MTNL on revenue sharing basis.
- Manufacture of low cost, high volume Customer Premises Equipments for ADSL and WI-MAX, manufacture of CLIP phones, GSM-FCTs and GSM Handsets.
- IT sector.
- Banking Automation products, SMPS, solar panel etc. which are already under manufacture at ITI.

ITI has entered into Technology alliance for new products like G-PON, NGN (IP-TAX), WI-MAX, Broadband CorDECT (EDWAS) etc., ITI has also won a tender for Rs. 104 crore of Maharashtra Government for implementation of SWAN (State Wide Area Network) in IT sector. ITI is also looking to modernize its manufacturing infrastructure base for value added contract manufacturing on competitive basis.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

CHAPTER III

**OBSERVATIONS/RECOMMENDATIONS WHICH THE
COMMITTEE DO NOT DESIRE TO PURSUE IN
VIEW OF THE REPLY OF THE GOVERNMENT**

-Nil-

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation (Para No. 4)

The Committee note that out of the 2008-2009 Annual Plan outlay of Rs. 21434.60 crore, a budgetary provision of Rs. 375 crore has been approved by the Planning Commission for the Department to carry out *inter-alia* activities lie setting up of Telecom Testing and Security Certification Centre, Technology Development and Investment Promotion, Undersea Cabling between mainland and Andaman and Nicobar Islands and replacement of some of the defence wireless networks between fixed locations, with optical fibre based network. In this context, the Committee find that the Department would consider the adequacy of the budgetary allocations after a mid-term review and consequently additional funds would be projected at the 2008-2009 RE stage. The Committee fail to understand the logic for leaving enhancement of budgetary allocations to be considered at the RE stage when certain activities, as mentioned above, have already been earmarked to be accomplished in the Financial Year 2008-2009 itself. It implies that the Department are either not sure of the achievement of targets or the financial projections are unrealistic. Needless to say, as far as possible sufficient financial projections should be made at the BE stage itself so that the possible uncertainties at the RE stage are avoided and projects/ schemes earmarked for a particular fiscal are accomplished.

Action Taken by the Government

Noted

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2008-B dated 15 July, 2008)

Comments of the Committee

(Please *see* Paragraph No. 8 of Chapter-I)

Recommendation (Para No. 14)

The Committee note that resources for meeting the USO are generated through a Universal Service Levy (USL) which is at present 5 per cent of the Adjusted Gross Revenue (AGR) earned by all the operators except pure value added services like Internet, voice mail, e-mail, etc. In this context, the Committee find that collection of USO Levy since its inception and upto January 2008 is Rs. 19124 crore. In the year 2006-2007 Rs. 4211 crore was collected as USO levy and during the year 2007-2008 the anticipated collection is Rs. 5119 crore. The Committee impress upon the Department to ensure that the requirements of the USO fund are adequately and timely met from the USL collections in view of the wide spectrum of activities undertaken/proposed, particularly pertaining to the rural and remote areas.

Action Taken by the Government

Till the year 2007-08, the collections under Universal Service Levy (USL) stood at Rs. 20,404 crore. These collections are first credited to the Consolidated Fund of India and release of fund to the USO is through Parliamentary approval.

For the year 2008-09, against the budget estimate of Rs. 2900 crore, provision of Rs. 2000 crore have been made. Reassessment of fund requirement will be made at the time of preparation of Revised Estimate.

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2008-B dated 15 July, 2008)

Comments of the Committee

(Please *see* Paragraph No. 17 of Chapter-I)

Recommendation (Para No. 15)

The Committee observe that nearly 5.42 lakh Village Public Telephones (VPTs) have been provided by BSNL before 2004-2005 and these VPTs are receiving support from USOF towards operation and maintenance. There are still 66,822 uncovered eligible villages, as per the 1991 Census, where VPTs are to be installed. Since 2004-2005 and as on 29 February, 2008 BSNL has been able to provide VPTs in 53,073 villages. During the period January-March 2008 about 1500 VPTs are expected to be provided by BSNL. The target is to cover all the remaining villages by June, 2008. The Committee find that even if BSNL is able to provide 1500 VPTs during January-March 2008, there would still be 12,249 villages where VPTs have to be provided by June, 2008. It is pertinent to mention here that as per a reconciled data based on 2001 Census, another 50,000 VPTs would be required to be provided in the uncovered villages. Out of that 10,000 villages are likely to be covered during the financial year 2008-2009. Taking all the above factors into account and also more importantly in view of the fact that BSNL is the only service provider entrusted with the responsibility of providing VPTs, the Committee recommend that adequate measures should be taken to accomplish the target of 12,249 VPTs by June, 2008 in the remaining uncovered villages, as per the 1991 Census. After successfully catering to the old targets, BSNL should gear itself up to provide VPTs in the newly identified 10,000 uncovered villages as per the 2001 Census, during the 2008-2009 fiscal. The Department of Telecommunications on their part should extend all possible assistance to ensure that procedural impediment like delay in receipt of equipment and cumbersome tendering procedure do not come in the way of BSNL's roll out plan for VPTs.

Action Taken by the Government

(a) As on 31.05.2008, a total number of 54429 villages have been provided with VPTs out of a total number of 66822 villages. Most of the VPTs, which are to be provided on technologies other than satellite, have already been provided. M/s BSNL, the implementing agency for these VPTs, have intimated that there has been delay in allotment of

transponders due to failure of INSAT-4C and subsequent delay on part of M/s HFCL in supply of DSPT equipment. Similarly, the equipment for WLL has been delayed on account of the late supply by M/s ITI to BSNL due to one or the other reasons leading to delay in commissioning of sites. Keeping in view the remoteness and inaccessibility of these villages and complexity of the equipment required to be set up, the remaining VPTs are likely to be installed by November 2008.

(b) A list of about 50,000 newly identified uncovered villages as per Census 2001 has been finalized, where VPTs are to be provided. The Agreements for disbursement of subsidy towards provision of VPTs in such uncovered villages are likely to be signed shortly with BSNL.

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2008-B dated 15 July, 2008)

Comments of the Committee

(Please see Paragraph No. 20 of Chapter-I)

Recommendation (Para No. 18)

The Committee note that agreements were signed in March 2005 with BSNL, Reliance Communication Ltd., Tata Teleservices Ltd. and Tata Teleservices Ltd. (Maharashtra) for the installation of individual rural household Direct Exchange Lines (RDELs) in the country during the period from 1 April, 2005 to 31 March, 2007. As per the Agreement signed, these RDELs are to be provided on Land Lines or on Fixed Wireless Terminals in case of any wireless technology. These RDELs were to be installed in the eligible 1685 Short Distance Charging Areas (SDCAs) out of a total such 2647 SDCAs, where cost of providing telephone connection was more than the revenue earned. The contracted SDCAs amongst these companies were 1267, 203, 172 and 43 for BSNL, RCL, TTL and TTL (MH) respectively. About 25,64,577 RDELs have already been provided [BSNL (8,91,306), RCL (7,37,207), TTL (7,26,915 and TTL (MH) (2,09,149)] under this scheme as on the

deadline *i.e.* 31 March, 2007. The Committee find that as all the eligible 1685 SDCAs could not be covered by the prescribed time limit, the scheduled date for the installation of the required individual RDELs in the identified SDCAs has been extended upto 31 March, 2008. In view of the deplorable position of rural teledensity and its imperatives, the Committee recommend that the Department of Telecommunications should prevail upon the four Companies to cover all the eligible SDCAs through provision of individual Rural Director Exchange Lines by the revised target date.

Action Taken by the Government

Agreements were signed with M/s BSNL, M/s RCL, M/s Tata Teleservices Limited (TTL) and M/s TTL (MH) in March 2005 for installation of Rural Household Direct Exchange Lines (RDELs) during the period 01.04.2005 to 31.03.2007. Under this scheme, the cutoff date for installation of the RDELs has now been extended upto 31.03.2009. About 35 Lakh RDELs have so far been provided by the Service Providers with the subsidy support from USO Fund.

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2008-B dated 15 July, 2008)

Comments of the Committee

(Please see Paragraph No. 23 of Chapter-I)

Recommendation (Para No. 19)

The Committee observe that 'shared infrastructure Mobile Services Scheme' is a recent initiative taken by the USO Fund in two phases to provide subsidy support for setting up and managing infrastructure sites (towers) for provision of mobile services in the specified rural and remote areas, where there is no existing fixed wireless or mobile coverage. The infrastructure so created shall be shared by the three service providers for provision of mobile services including other Wireless Access Services like Wireless on Local Loop (WLL). In the first phase agreements were signed with successful bidders in May, 2007 to set up and manage 7871 infrastructure sites

(towers in 500 districts spread over 27 States. Mobile services through these shared towers are targeted to be made operational in a phased manner by May, 2008. Under the second phase of the Shared Infrastructure Mobile Services Scheme, the Department propose to cover other uncovered areas in the country through mobile services for which 11,000 additional towers have been identified out of which about 6,000 towers are likely to be set up in 2008-2009. In view of the constraints experienced by the service providers in extending wireline services to the rural and remote areas of the country, the Shared Infrastructure Mobile Services Scheme appears to be a novel scheme and the Committee, therefore, recommend that the infrastructure sites/towers should be set up as per the earmarked targets and made operational across the country to boost rural teledensity.

Action Taken by the Government

As on 31.03.2008, about 488 towers have been set up under this scheme. The remaining towers are under different phases of installation/commissioning. Mobile services from these towers are likely to be launched in a phased manner by the end of year 2008. The proposed second phase scheme to set up additional shared towers is likely to be launched shortly.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Comments of the Committee

(Please see Paragraph No. 26 of Chapter-I)

Recommendation (Para No. 33)

The Committee note that outstanding arrears of telephone bills of basic service as on 31 December, 2007, stood at a whopping Rs. 3634.81 crore. The outstanding arrears of the cellular subscribers are Rs. 625.39 crore as on 31 January, 2008. These arrears as reported in the 44th Report of the Committee on DFG 2007-08 were to the tune

of Rs. 3652.10 crore and Rs. 531.00 crore respectively on 31 January, 2007. Apart from the outstanding arrears, the Committee note that an amount of Rs. 159.94 crore has been written off by the Company. As compared to this, the write off figure during last year upto January, 2007 was Rs. 36.34 crore. The Company has reportedly initiated several measures to improve its recovery position but the fact remains that out of the basic services arrears of Rs. 4542.78 crore (as on 31.3.07) a sum of Rs. 1048.16 crore only could be recovered upto 31 December, 2007. The percentage reduction for outstanding being 2.3%. In case of cellular services a sum of Rs. 96.91 crore could be recovered upto 31.12.2007 out of the total outstanding of Rs. 620.52 crore (as on 21.3.2007). The percentage reduction for outstanding being approximately 16%.

Action Taken by the Government

Basic Services

It may be seen from Annexure-I that the total net outstanding of Rs. 3634.81 crore is the cumulative figure. Against the amount billed for from 1991-92 to 2007-08 (upto December, 2007) of Rs. 239401.93 crore *i.e.* about 1.52% only of the amount billed for basic services. By February, 2008 the position has slightly improved to 1.51% *i.e.* Rs. 3608.74 crore outstanding against Rs. 239401.93 crore billed for Basic Services (Annexure-II).

Cellular Services

The outstanding of Rs. 625.39 crore as on 31.01.2008 in respect of Cellular Services has come down to Rs. 554.42 crore as on 31.03.2008 (*i.e.* reduction of Rs. 70.97 crore (11.34%) during the period from 01.02.2008 to 31.03.2008. The year wise breakup of amount billed versus outstanding.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Comments of the Committee

(Please see Paragraph No. 29 of Chapter-I)

*ANNEXURE-I***BASIC SERVICES [INCLUDING WLL (F&M) & ISDN]****Position as on 31.12.2007 (Over 3 months)****(Amount in crore of Rupees)**

	Net outstanding	ABF	% of outstanding to ABF	Collection efficiency
Upto				
1997-98	140	48,096	0.29	99.71
1998-99	133	14,025	0.95	99.05
1999-2000	159	15,508	1.03	98.97
2000-2001	238	18,874	1.26	98.74
2001-2002	298	21,966	1.36	98.64
2002-2003	290	22,102	1.31	98.69
2003-2004	417	23,996	1.74	98.26
2004-2005	416	22,794	1.82	98.18
2005-2006	480	21,527	2.23	97.77
2006-2007	633	18,190	3.48	96.52
2007-2008 upto December, 2007	430	11,240	3.83	96.17
Total Outstanding	3,634	238,818	1.52	98.48

ANNEXURE-II

BASIC SERVICES [INCLUDING WLL (F&M) & ISDN]

Position as on 28.02.2008 (Over 3 months)

(Amount in crore of Rupees)

	Net outstanding	ABF	% of outstanding to ABF	Collection efficiency
Upto				
1997-98	104	48,096	0.22	99.78
1998-99	131	14,025	0.94	99.06
1999-2000	156	15,508	1.01	98.99
2000-2001	231	18,874	1.22	98.78
2001-2002	292	21,966	1.33	98.67
2002-2003	284	22,102	1.29	98.71
2003-2004	405	23,996	1.69	98.31
2004-2005	407	22,794	1.78	98.22
2005-2006	470	21,527	2.18	97.82
2006-2007	607	18,190	3.34	96.6
2007-2008 upto February, 2008	521	11,240	4.64	95.36
Total Outstanding	3,608	238,818	1.51	98.49

Recommendation (Para No. 34)

The Committee find the outstanding arrears position of the Company is downright alarming. A mere 23% reduction in outstandings in respect of basic services arrears and a still abysmally poor 16% (approximately) reduction in the case of cellular services is indicative of the fact that all measures being flaunted by the Company as very effective are highly doubtful. In real term also there is no reduction in basic services arrears compared to last year and the arrears of cellular services have gone up steeply from Rs. 531.00 crore last year to Rs. 625.39 crore. Combined with this the almost four and a half time increase in the write off amount clearly proves the failure of the Company in protecting its commercial interests. The Committee have a strong feeling that if the Company is serious about recovery of outstanding dues it will have to come up with fresh and more effective initiatives on a priority basis. An outstanding of Rs. 4260.00 crore alongwith a writ off of Rs. 160.00 crore is a huge liability which if not liquidated quickly can have very serious ramifications for a service provider like BSNL. It may not be out of place to mention that with the prevailing uncertainties about Access Defecit Charges which have portends of affecting BSNL financially, the liquidation of outstanding dues assumes added significant.

Action Taken by the Government

The recovery position for basic service (upto 31.03.2007) in respect of bills issued upto 31.03.2007 has gone up from Rs. 1048.16 crore as on 31.12.2007 to Rs. 1135.69 crore as on 29.02.2008. The percentage of reduction has gone up from 23.07% to 25.90% in two months *i.e.* January & February, 2008 (Annexure — 3 & 3-A).

The written off figures during the year 2007-08 upto February, 2008 is Rs. 411.84 crore (Annexure-4) which includes Rs. 195.35 crore as Technically Written off for which BSNL Management Committee had issued a sanction in respect of outstanding for more than ten years old *vide* letter No. 2-20/2007-BSNL-TR dated 30.11.2007.

BSNL is very much concerned about the revenue arrears and taking all possible efforts to minimize revenue arrears. Steps taken in this regard are explained at Annexure-5.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Comments of the Committee

(Please see Paragraph No. 29 of the Chapter-I)

ANNEXURE-III

**Circlewise position of recovery w.r.t. Fixed Lines including
WLL (F&M), ISDN, PCOs & VPTs, Telex, Phone
Circuits and Telegraph Circuits**

(Amount in crore of Rupees)

Fixed Lines including WLL (F&M), ISDN, PCOs & VPTs, Telex, Phone Circuits and Tele- graph Circuits	Out- standing as on 31.03.2007 (Net)	Out- standing as on 31.12.2007 for bills issued upto 31.03.2007 (Net)	Amount realized within 11 months (i.e. upto 29.02.2008)	% of realiza- tion as on 31.12.2007 for out- standing upto 31.03.2007	Amount to be realized upto 31.03.2008 (25% of Net out- standing as on 31.03.2007)	Amount to be realized in remain- ing 1 month
	4542.78	3366.27	1176.50	25.90	1135.69	-40.81

ANNEXURE-III-A

**Circlewise position of recovery w.r.t. Fixed Lines including
WLL (F&M), ISDN, PCOs & VPTs, Telex, Phone
Circuits and Telegraph Circuits**

(Amount in crore of Rupees)

Circle	Target of out- standing as on 31.03.07 (Net)	Out- standing as on 29.02.08 for bills issued upto 31.03.07 (Net)	Amount realized within 11 months (i.e. upto 29.02.08)	% of realiza- tion as on 29.02.08 for out- standing upto 31.03.07	Amount to be realized upto (25% of Net out- standing as on 31.03.07)	Amount to be realized in remain- ing 1 month
1	2	3	4	5	6	7
N.E.-II	279	260	19	6.67	70	51
BIHAR	288	253	35	12.00	72	37
U.P. (EAST)	486	386	100	20.67	122	21
ASSAM	136	110	26	19.31	34	8
N.E.-I	74	63	11	14.54	18	8
GUJARAT	171	131	40	23.3	43	3
JHARKHAND	143	109	34	23.56	36	2
M.P.	226	172	55	24.21	57	2
CHHATTISGARH	69	53	16	22.88	17	1
A & N	13	10	2	18.94	3	1

1	2	3	4	5	6	7
J & K	72	52	20	27.67	18	-2
UTTRANCHAL	24	16	8	33.17	6	-2
U.P. (WEST)	184	136	48	26.15	46	-2
H.P.	16	9	6	41.03	4	-2
CHENNAI	164	121	44	26.6	41	-3
WEST BENGAL	129	93	36	28.24	32	-4
HARYANA	126	90	36	28.59	31	-5
PUNJAB	162	112	50	30.61	40	-9
ORISSA	119	79	40	33.67	30	-10
RAJASTHAN	71	43	28	39.93	18	-11
A.P.	442	319	123	27.77	111	-12
TAMILNADU	142	93	49	34.21	36	-13
CALCUTTA	351	247	104	29.58	88	-16
KERALA	47	16	31	66.34	12	-19
MAHARASHTRA	388	260	129	33.16	97	-32
KARNATAKA	221	133	88	39.74	55	-33
Total	4,543	3,366	1,178	25.90	1,137	-41

ANNEXURE-IV

WRITTEN OFF AS ON 29.02.2008

(Amount in thousands)

Name of Unit	Technically Written Off	Normal Written Off	Total
	Cumulative upto 29.02.2008	Cumulative upto 29.02.2008	
1	2	3	4
A&N	9920	3288	13208
ANDHRA	46355	163654	210009
ASSAM	12698	28873	41571
BIHAR	18559	31982	50541
JHARKHAND	0	154	154
GUJARAT	22169	64522	86691
HARYANA	108045	132129	240174
HIMACHAL	0	3136	3136
J & K	0	42320	42320
KARNATAKA	101605	157153	258758
KERALA	0	23207	23207
M.P.	46847	53511	100358
CHHATTISGARH	0	6412	6412
MAHARASHTRA	1347947	187613	322410
N.E.-I	11909	16780	28689

1	2	3	4
N.E.-II	0	3270	3270
ORISSA	40482	119174	159656
PUNJAB	0	119971	119971
RAJASTHAN	7111	62442	69553
TAMILNADU	39291	33220	72511
U.P. (EAST)	454980	9642	464622
U.P. (WEST)	145882	67670	213552
UTTRANCHAL	11612	13228	24840
WEST BENGAL	19494	25226	44720
KOLKATA	707893	717003	1422486
CHENNAI	13855	79354	93209
TOTAL	1953504	2164934	4118438

ANNEXURE-V

The following steps have been taken by BSNL to recover its outstanding dues:

1. Instructions to Circles to ensure timely issue of telephone bills and to effect disconnection of telephones for non-payment promptly have been issued and are being re-iterated periodically. 35 days time limit for disconnection due to non-payment has been fixed for Basic/Mobile Services.
2. Payment reminders through IVRS are being issued by units.
3. If no payment is received despite disconnection, a registered notice followed by a legal notice if necessary, is sent.
4. Every year targets for liquidation of outstanding dues for different billing periods for each Circle/Metro District are fixed and performance thereof is reviewed regularly.
5. The progress in regard to liquidation of outstanding dues is closely monitored and brought to the notice of Director (F) and CMD.
6. The State Governments have been requested to amend their respective land revenue acts so that the defaulted Telephone dues of BSNL can be recovered as land revenue arrears. So far Andhra Pradesh, Kerala, West Bengal, Maharashtra and Karnataka State Governments have issued gazetted notifications in this regard. DoT has also been addressed on this issue.
7. Heads of Circles have been authorized to Appoint Private Recovery agents on commission basis to assist BSNL in recovery of outstanding revenue. Circles have been asked to utilize the services of State Government Department in recovery of outstanding dues.

8. To persuade the subscribers to come forward to deposit the old dues and build better relationship in the competitive era, discount scheme were also launched in the last year (2006-07).
9. Procedure for settlement of defaulter cases through Lok Adalat has been introduced.
10. For recovery of outstanding telephone dues incentive scheme for staff is launched.
11. Monitoring of Circlewise High value outstanding and fixing of stringent target for circles that has been undertaken.

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES ARE OF INTERIM IN NATURE

Recommendation (Para No. 21)

The Committee observe that in 2007-2008 the Non-Plan BE amount of Rs. 4.85 crore for Telecom Disputes Settlement and Appellate Tribunal was enhanced to Rs.5.50 crore at the RE stage whereas the actual expenditure (up to December, 2007) has been Rs. 1.76 crore only. Similarly, under the Plan Expenditure the 2007-2008 BE/RE provision was Rs.1.25 crore whereas the expenditure has been Rs. 52 lakh only (up to December, 2007). The BE 2008-2009 Plan and non-Plan BE provides for an amount of Rs. 1 crore and Rs. 5 crore respectively. The Committee find that shortfalls in expenditure by TDSAT under both Plan and non-Plan head during the 2007-2008 fiscal are primarily due to some significant posts lying vacant in the judicial body for a longer period. As reported to the Committee, two posts of member have been lying vacant since 2007. Consequentially, the posts of Director and Deputy Register which have been lying vacant since May, 2007 and January, 2008 respectively could not be filled up as the Departmental Promotion Committee could not be constituted in the absence of members in TDSAT. The Appellate Tribunal have expressed the opinion that they would be able to optimally utilise the Plan and non-Plan allocations of 2008-2009 provided the vacant posts are filled up. The Committee are highly concerned at the state of affairs where vacancies in Appellate Tribunal have adversely affected the overall functioning of the Body. They, therefore, impress upon the Department to take immediate measures for filling up the vacant positions in the TDSAT in order to enable it not only to optimally utilise the budgetary allocations but also to facilitate the Tribunal's decision making process

in technical and complicated cases in the Telecom and Broadcasting Sectors. The Committee also hope that once the Tribunal is fully constituted, they would be able to settle all the pending cases which include 95 petitions, 13 appeals and 92 miscellaneous applications pertaining to spectrum allocation, licence agreement, interconnection, tariff matters, etc.

Action Taken by the Government

With regard to filling up of the vacant posts of Members, TDSAT, the selection process for one of the post of Member TDSAT has already been completed and the offer of appointment has already been sent to the selected officer, Shri J.S. Sarma, Secretary, Ministry of Chemicals and Fertilizer on 10th March, 2008. Shri Sarma has now intimated that he will join TDSAT on 1st July, 2008 owing to certain pending issues in the Department of Fertilizer and also keeping in view the schedule of TDSAT. With regard to filling up of the other post of Member, TDSAT, the selection process has yet not been completed and the matter is being referred to Cabinet Committee of Appointments for obtaining its approval. After receipt of the approval, offer for appointment as Member TDSAT will be issued.

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

Recommendation (Para No. 43)

The Committee note that in the annual plan 2007-08, a token provision of Rs. 1.00 crore was made for ITI. However, at the RE stage an amount of Rs. 377.00 crore has been written off towards loans to ITI. In the BE 2008-09 barring a provision of Rs. 6.50 crore as 'Compensation to ITI' no funds have been earmarked for ITI for either Plan or Non-plan purposes. The Committee also note that a Revival Plan for ITI is under the consideration of DoT. The Committee are constrained to state that the Revival Plan of ITI has been inordinately delayed and is having a highly detrimental effect on ITI as well as organisations having

commercial interactions with it. They, therefore, desire that the Plan should be worked out without any further delay and implemented on priority.

Action Taken by the Government

The revival Plan of ITI Ltd. has been referred to the Board for Reconstruction of Public Sector Enterprises (BRPSE).

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 16-4/2008-B, dated 15 July, 2008]

NEW DELHI;
27 August, 2008
5 Bhadrapada, 1930 (Saka)

NIKHIL KUMAR,
Chairman,
Standing Committee on Information
Technology.

APPENDIX

STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2008-2009)

MINUTES OF THE SECOND SITTING OF THE COMMITTEE

The Committee sat on Wednesday, the 27th August, 2008 from 1100 hours to 1300 hours Room No. 53, Parliament House New Delhi.

PRESENT

Shri Nikhil Kumar — *Chairman*

MEMBERS

Lok Sabha

2. Shri Abdullakutty
3. Shri Nikhil Kumar Choudhary
4. Shri Sanjay Shamrao Dhotre
5. Shri Ramesh Dube
6. Shri Narahari Mahato
7. Shri Bhuvaneshwar Prasad Mehta
8. Shri Lalmani Prasad
9. Shri Tufani Saroj
10. Shri Tathagata Satpathy

Rajya Sabha

11. Dr. C.P. Thakur
12. Shri A. Vijayaraghavan
13. Shri Rajkumar Dhoot
14. Shri Shyam Benegal

SECRETARIAT

- | | | |
|-----------------------|---|-------------------------|
| 1. Shri P. Sreedharan | — | <i>Joint Secretary</i> |
| 2. Smt. Sudesh Luthra | — | <i>Director</i> |
| 3. Shri P.C. Koul | — | <i>Deputy Secretary</i> |
| 4. Shri D.R. Mohanty | — | <i>Under Secretary</i> |

WITNESSES

Ministry of Communications and Information Technology
(Department of Information Technology)

*** *** *** *** ***

2. At the outset, the Chairman welcomed the Members to the Committee and the representatives of the Ministry of Communications and Information Technology (Department of Information Technology) to the sitting of the Committee.

3. *** *** *** *** ***

4. The Chairman thanked the witnesses for appearing before the Committee as well as for furnishing valuable information desired by the Committee.

A verbatim record of the proceedings has been kept.

The witnesses, then, withdrew.

5. The Committee, then, took up the following Draft Reports for consideration and adopted the same:—

(i) *** *** *** *** ***

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

(iii) Draft Report on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Fifty-seventh Report on 'Demands for Grants (2008-2009)' of the Ministry of Communications and Information Technology (Department of Telecommunications).

(iv) *** *** *** *** ***

6. The Committee authorised the Chairman to finalise the above Draft Reports and present the same to the House on a date convenient to him.

The Committee then adjourned.

*Matters not related to this Report.

ANNEXURE II

**ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE
FIFTY-SEVENTH REPORT (FOURTEENTH LOK SABHA)**

[Vide Paragraph No. 5 of Introduction]

- (i) Observations/Recommendations which have been accepted by the Government:**

**Paragraph Nos. : 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 16, 17, 20,
22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 35, 36,
37, 38, 39, 40, 41, 42 & 44**

Total : 35

Percentage : 79.54

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the Replies of the Government:**

Paragraph Nos. : NIL

Total : NIL

Percentage : 0

- (iii) Observations/Recommendations in respect of which the replies of the Government have not been accepted by the Committee and which require reiteration:**

Paragraph Nos. : 4, 14, 15, 18, 19, 33 & 34

Total : 07

Percentage : 15.90

- (iv) Observations/Recommendations in respect of which replies are of interim nature:**

Paragraph No. : 21 & 43

Total : 02

Percentage : 4.45

SIXTY-FOURTH REPORT
STANDING COMMITTEE ON
INFORMATION TECHNOLOGY
(2008-2009)

(FOURTEENTH LOK SABHA)

MINISTRY OF COMMUNICATIONS AND
INFORMATION TECHNOLOGY
(DEPARTMENT OF TELECOMMUNICATIONS)

*[Action Taken by the Government on the Observations/Recommendations
of the Committee contained in their Fifty-Seventh Report (Fourteenth
Lok Sabha) on Demands for Grants (2008-2009)]*

Presented to Lok Sabha on 20 October, 2008

Laid in Rajya Sabha on 22 October, 2008



LOK SABHA SECRETARIAT
NEW DELHI

August, 2008/Bhadrapada, 1930 (Saka)

C.I.T. No. 197

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COMPOSITION OF THE STANDING COMMITTEE ON
INFORMATION TECHNOLOGY
(2008-09)

Shri Nikhil Kumar—*Chairman*

MEMBERS

Lok Sabha

2. Shri Abdullakutty
3. Shri Nikhil Kumar Choudhary
4. Shri Sanjay Shamrao Dhotre
5. Shri Ramesh Dube
6. Smt. Jayaprada
7. Shri Narahari Mahato
8. Shri Bhubaneshwar Prasad Mehta
9. Shri Harish Nagpal
10. Shri G. Nizamuddin
11. Shri Sohan Potai
12. Shri Lalmani Prasad
- *13. Vacant
14. Shri Tufani Saroj
15. Shri Tathagata Satpathy
16. Smt. Rubab Sayeda
17. Shri K.V. Thangka Balu
18. Shri P.C. Thomas
19. Shri Kinjarapu Yerrannaidu
20. Vacant
21. Vacant

Rajya Sabha

22. Shri Praveen Rashtrapal
23. Shri Gireesh Kumar Sanghi

*Shri Badiga Ramakrishna, M.P. ceased to be a member of the Committee *w.e.f.*
26 August, 2008

(iv)

24. Shri Ravi Shankar Prasad
25. Shri Dara Singh
26. Dr. C.P. Thakur
27. Shri A. Vijayaraghavan
28. Shri N.R. Govindarajar
29. Shri Rajkumar Dhoot
30. Shri Rajeev Chandrasekhar
31. Shri Shyam Benegal

SECRETARIAT

- | | | |
|-----------------------------|---|-------------------------|
| 1. Shri Rajagopalan Nair M. | — | <i>Secretary</i> |
| 2. Shri P. Sreedharan | — | <i>Joint Secretary</i> |
| 3. Smt. Sudesh Luthra | — | <i>Director</i> |
| 4. Shri P.C. Koul | — | <i>Deputy Secretary</i> |
| 5. Shri D.R. Mohanty | — | <i>Under Secretary</i> |

INTRODUCTION

I, the Chairman Standing Committee on Information Technology (2008-2009) having been authorised by the Committee to submit the Report on their behalf, present this Sixty-fourth Report on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Fifty-seventh Report (Fourteenth Lok Sabha) on 'Demands for Grants (2008-09)' of the Ministry of Communications and Information Technology (Department of Telecommunications).

2. The Fifty-seventh Report was presented to Lok Sabha on 16 April, 2008 and laid on the Table of Rajya Sabha on 15 April, 2008. The Department furnished their Action Taken Notes on the Observations/Recommendations contained in the Fifty-seventh Report on 15 July, 2008.

3. The Report was considered and adopted by the Committee at their sitting held on 27 August, 2008.

4. For facility of reference and convenience, Observations/Recommendations of the Committee have been printed in bold in Chapter-I of the Report.

5. An analysis of Action Taken by Government on the Observations/Recommendations contained in the Fifty-seventh Report (Fourteenth Lok Sabha) of the Committee is given at **Annexure**.

NEW DELHI;
27 August, 2008
5 Bhadrapada, 1930 (Saka)

NIKHIL KUMAR,
Chairman,
Standing Committee on Information
Technology.

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**STANDING COMMITTEE ON
INFORMATION TECHNOLOGY
(2008-2009)**

FOURTEENTH LOK SABHA

**MINISTRY OF COMMUNICATIONS
AND
INFORMATION TECHNOLOGY**

(DEPARTMENT OF TELECOMMUNICATIONS)

*[Action Taken by the Government on the Observations/Recommendations
of the Committee contained in their Fifty-Seventh Report (Fourteenth
Lok Sabha) on Demands for Grants (2008-2009)]*

SIXTY-FOURTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2008/Bhadrapada, 1930 (Saka)

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