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**STANDING COMMITTEE ON
INFORMATION TECHNOLOGY
(2009-2010)**

FIFTEENTH LOK SABHA

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

**DEMANDS FOR GRANTS
(2009-2010)**

FOURTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2009/Agrahayana, 1931 (Saka)

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(2009-2010)

Presented to Lok Sabha on 17.12.2009
Presented to Rajya Sabha on 17.12.2009



LOK SABHA SECRETARIAT
NEW DELHI

December, 2009/Agrahayana, 1931 (Saka)

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ABBREVIATIONS

| | | |
|-------|---|--|
| AGR | — | Adjusted Gross Revenue |
| ADSL | — | Asymmetrical Digital Subscriber Line |
| AMC | — | Annual Maintenance Contract |
| BSNL | — | Bharat Sanchar Nigam Ltd. |
| CCA | — | Controller of Communication Accounts |
| CDMA | — | Code Division Multiple Access |
| C-DOT | — | Centre for Development of Telematics |
| CMT | — | Chip Multi Threading |
| DEL | — | Direct Exchange Line |
| DFL | — | Defect Liability Period |
| DLC | — | Digital Loop Carrier |
| DS | — | Defense Service |
| DSPT | — | Digital Satellite Phone Terminals |
| EGoM | — | Empowered Group of Ministers |
| FWT | — | Fixed Wireless Terminal |
| GBS | — | Gross Budgetary Support |
| GR | — | Generic Requirements |
| GSM | — | Global System of Mobile |
| IAC | — | Interface Approved Certificate |
| IEBR | — | Internal Extra Budgetary Resource |
| ILD | — | International Long Distance |
| IPTV | — | Internet Protocol Television |
| IPR | — | Intellectual Property Right |
| IRS | — | Interface Requirements |
| ITI | — | Indian Telephone Industries |
| ITDC | — | Indian Tourism Development Corporation |
| IUC | — | Interconnect Usage Charges |
| KCT | — | Kilo Circuit |
| LD | — | Liquidated Damages |
| LaBL | — | Lighting a Billion Life |
| LoI | — | Letter of Intents |

| | | |
|---------|---|--|
| MARR | — | Multi Access Radio Relay |
| MIL | — | Millennium Telecom Ltd. |
| MLLN | — | Mahanagar Leased Line Network |
| MTML | — | Mahangar Telephone Mauritius Ltd. |
| MTNL | — | Mahanagar Telephone Nigam Ltd. |
| NeGP | — | National e-Governance Plan |
| NGN | — | Next Generation Network |
| NLD | — | National Long Distance |
| NRSMMMS | — | National Radio Spectrum Management & Monitoring System |
| NTP | — | New Telecom Policy |
| NVPL | — | Nepal Venture Pvt. Ltd. |
| OFC | — | Optical Fibre Cable |
| PCO | — | Public Call Office |
| PIU | — | Project Implementation Unit |
| PMC | — | Project Management Consultancy |
| POI | — | Point of Interconnection |
| PPP | — | Public Private Partnership |
| PSTN | — | Public Switching Telecom Network |
| PSU | — | Public Sector Undertaking |
| QoS | — | Quality of Service |
| RCP | — | Rural Community Phone |
| RAXS | — | Rural Automatic Exchanges |
| RDEL | — | Rural Direct Exchange Line |
| SDCA | — | Short Distance Changing Area |
| SDH | — | Synchronous Digital Hierarchy |
| SFC | — | Standing Finance Committee |
| STPI | — | Software Technology Parks of India |
| SWAN | — | State Wide Area Network |
| TAC | — | Type Approval Certificate |
| TCIL | — | Telecommunication Consultant India Ltd. |
| TCoE | — | Telecom Centres of Excellence |
| TAX | — | Trunk Automatic Exchange |
| TDSAT | — | Telecom Dispute Settlement and Appellate Tribunal |
| TEC | — | Telecom Enginery Centre |
| (vi) | | |

| | | |
|--------|---|--|
| TETC | — | Telecom Testing and Security Certificate Centre |
| TRAI | — | Telecom Regulatory Authority of India |
| TSP | — | Tribal Sub Plan |
| UM A&N | — | Undersea Cabling between Mainland and Andaman & Nicobar Island |
| USL | — | Universal Service Levy |
| USOF | — | Universal Service Obligation Fund |
| USP | — | Universal Service Provider |
| USSP | — | Universal Service Support Policy |
| UASL | — | Unified Access Services Licence |
| VOIP | — | Voice Over Internet Protocol |
| VPT | — | Village Public Telephone |
| VSAT | — | Very Small Aperture Terminal |
| UTL | — | United Telecom Ltd. |
| WLL | — | Wireless in Local Loop |
| WMO | — | Wireless Monitory Organisation |
| WPC | — | Wireless Planning & Coordination |
| W-Max | — | Worldwide Interoperability for Microwave Access |

COMPOSITION OF THE STANDING COMMITTEE
ON INFORMATION TECHNOLOGY
(2009-10)

Shri Rao Inderjit Singh — *Chairman*

MEMBERS

Lok Sabha

2. Shri Rajendra Agrawal
3. Shri Nikhil Kumar Choudhary
4. Shri Milind Deora
- *5. Shri Charles Dias
6. Shri Rajen Gohain
7. Smt. Darshana Jardosh
8. Shri Mithilesh Kumar
- **9. Shri Sadashivrao Dadoba Mandlik
10. Shri Inder Singh Namdhari
11. Shri Abdul Rahman
12. Shri Prem Das Rai
- #13. Shri Tufani Saroj
14. Shri Tathagata Satpathy
15. Shri Adhalrao Patil Shivaji
16. Dr. Bhola Singh
17. Shri Dhananjay Singh
18. Shri Sushil Kumar Singh
19. Shri C. Sivasami
20. Smt. M. Vijaya Shanthi
21. Shri Dharmendra Yadav

** Nominated to Committee *w.e.f.* 10th September, 2009.

Nominated to Committee *w.e.f.* 13th October, 2009.

* Nominated to Committee *w.e.f.* 19th November, 2009.

Rajya Sabha

22. Prof. Alka Balram Kshatriya
23. Shri Dharam Pal Sabharwal
24. Shri Ravi Shankar Prasad
25. Shri Prabhat Jha
26. Shri P. Rajeeve
27. Shri Shriram Pal
28. Shri N.R. Govindraj
29. Shri M.P. Achuthan
30. Shri Rajkumar Dhoot
31. Vacant

SECRETARIAT

1. Shri T.K. Mukherjee — *Joint Secretary*
2. Smt. Sudesh Luthra — *Director*
3. Dr. Yumnam Arun Kumar — *Under Secretary*

INTRODUCTION

I, the Chairman, Standing Committee on Information Technology (2009-10) having been authorized by the Committee to submit the Report on their behalf, present this Fourth Report on Demands for Grants (2009-10) relating to the Ministry of Communications and Information Technology (Department of Telecommunications).

2. The Standing Committee of Information Technology (2009-10) was constituted on 31 August, 2009. One of the functions of the Standing Committee, as laid down in Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha is to consider Demands for Grants of the concerned Ministry/Department and to make a Report on the same to the House.

3. The Committee considered the Demands for Grants pertaining to the Ministry of Communications and Information Technology (Department of Telecommunications) for the current year *i.e.* 2009-10 which were laid on the Table of the House on 13 July, 2009. The Committee took oral evidence of the representatives of the Department of Telecommunications on 30 October, 2009 and 12 November, 2009.

4. The Report was considered and adopted by the Committee at their sitting held on 16 December, 2009.

5. The Committee wish to express their thanks to the officers of the Department of Telecommunications for appearing before the Committee and furnishing the information, that the Committee desired in connection with the examination of the Demands for Grants.

6. For facility of reference and convenience Recommendations/ Observations of the Committee have been printed in bold letters in Part-II of the Report.

NEW DELHI;
16 December, 2009
25 Agrahayana, 1931 (*Saka*)

RAO INDERJIT SINGH,
Chairman,
Standing Committee on
Information Technology.

REPORT

PART I

I. INTRODUCTORY

All over the world telecom services are considered as important accelerators for the socio-economic development of a country. They are essential for delivery of public services such as education, health, etc. and play vital role in the integration of a nation. In recent years, it has become especially important because of enormous growth of information technology. India is proud to have the third largest telecommunication network in the world with a huge 441.47 million subscribers. Telecommunication activities have gained momentum in India in recent years as efforts have been made at the Governmental and non-Governmental platforms to enhance the telecom infrastructure.

2. The Department of Telecommunications (DoT), which form a part of the Ministry of Communications and Information Technology is responsible for policy formulation, performance review, monitoring, international cooperation, research & development and grant of licences to operators for providing basic and value added services in various cities and telecom circles as per approved policy of the Government. It is also responsible for wireless spectrum management and allocates frequency and manages radio communications in close coordination with the International Bodies. Enforcing wireless regulatory measures and monitoring the wireless transmission of all users in the country are the other activities of the Department. The office of Administrator, Universal Service Obligation Fund (USOF) has been set up with effect from June 1, 2002 for the purpose of implementation of Universal Service Support Policy. The Plan of telecom expansion by the Department is mainly carried out through its Public Sector Undertakings (PSUs), *i.e.* Bharat Sanchar Nigam Limited (BSNL), Mahanagar Telephone Nigam Limited (MTNL), Indian Telephone Industries (ITI) Limited and Telecommunication Consultant India Limited (TCIL).

3. The Internal and Extra Budgetary Resources (IEBR) of the PSUs fund the development and expansion of telecommunication activities. The Gross Budgetary Support (GBS) funds the programmes/schemes carried out by Wireless Planning and Coordination (WPC), Wireless Monitoring Organisation (WMO), Telecom Engineering Centre (TEC),

Telecom Regulatory Authority of India (TRAI), Telecom Dispute Settlement and Appellate Tribunal (TDSAT), Centre for Development of Telematics (C-DoT), Indian Telephone Industries (ITI) Limited and the four Departmental projects *i.e.* Setting up of Telecom Testing and Security Certification Centre (TETC), Technology Development and Investment Promotion (TDIP), Undersea Cabling between Mainland and Andaman & Nicobar (UM&AN) and Optical Fibre Cable Connectivity based network for Defence Services. Besides, budgetary support is also provided for executing the Universal Service Support Policy (USSP) through the USOF. The resources for meeting the same are generated through a Universal Service Levy which is 5 per cent of the Adjusted Gross Revenue (AGR) earned by all the operators except pure value added service providers like internet service provider, voice mail etc. The Outlays for USO forms part of the non-plan expenditure of the Department.

4. During the year 2009-10, Demands for Grants for Rs. 10,254 crore which includes Rs. 10,150 crore as Revenue Outlay and Rs. 104 crore as Capital Outlay were laid in Lok Sabha on 13 July, 2009. The Demands have already been passed by the Parliament. This year being the election year, the budget was presented to Parliament on 6 July, 2009 and Demands for Grants were passed without the same being referred to the concerned Departmentally Related Standing Committees after suspension of Rule 331G of the Rules of Procedure and Conduct of Business in Lok Sabha. However as per the ruling of the Chair in Lok Sabha, the Demands have been referred to the Standing Committees for examination and report.

5. In the aforesaid background, the Committee in this Report have *inter-alia* analysed the position of outlay and the expenditure, particularly, the performance of the Plan schemes in the context of examination of Demands for Grants (2009-10).

II. IMPLEMENTATION STATUS OF THE OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE CONTAINED IN THEIR FIFTY-SEVENTH REPORT (FOURTEENTH LOK SABHA) ON DEMANDS FOR GRANTS (2008-09) OF THE DEPARTMENT OF TELECOMMUNICATIONS.

6. The Standing Committee on Information Technology presented the Fifty-seventh Report on Demands for Grants (2008-09) of the Department of Telecommunications to Lok Sabha on 16 April, 2008. The Report was laid on the Table of Rajya Sabha on 15 April, 2008. The Sixty-fourth Report on action taken by the Government on the Observations/Recommendations of the Committee contained in the

Fifty-seventh Report was presented to Lok Sabha on 20 October, 2008. The Report was laid on the Table of Rajya Sabha on 22 October, 2008. Out of 44 recommendations made by the Committee in the said Report, 35 recommendations were accepted by the Government. Replies to 2 recommendations were found to be interim, to which the Ministry was requested to furnish the final action taken replies in the Sixty-fourth Report. Replies to 7 recommendations were not accepted by the Committee which were reiterated in the Sixty-fourth Report.

III. DoT BUDGET

7. The Plan and non-Plan provisions made in the Revenue and the Capital Sections of the DoT Budget for the year 2009-10 (BE) are as under:—

| Demand No. 14 | | | |
|---------------------------------|--------|----------|----------------|
| | | | (Rs. in crore) |
| | Plan | Non-Plan | Total |
| Revenue Section | | | |
| Voted | 327.00 | 9823.00* | 10150.00 |
| Charged | — | — | — |
| Capital Section | | | |
| Voted | 104.00 | — | 104.00 |
| Charged | — | — | — |
| Grand Total (Revenue + Capital) | 431.00 | 9823.00 | 10254.00 |

*Includes pension payments and compensations to service providers under USOF, financial relief to ITI.

8. The Plan proposals 2009-10 (BE) for the PSUs are given as below:

| Plan Proposal 2009-10 (BE)—(IEBR) | |
|--|----------------|
| | (Rs. in crore) |
| Unit | Amount |
| BSNL | 14015 |
| MTNL | 1725.02 |
| C-DOT | 45 |
| Total | 15785.02 |

9. The details about the Tenth Five Year Plan allocation, Annual Plan outlay Revised Estimates, Actual Expenditure, percentage of utilisation for the Tenth Plan have been given at Appendix-I. With regard to Eleventh Plan allocation (at current prices) BE, RE and Actuals during the year 2007-08, 2008-09 and 2009-10 have been given at Appendix-II.

Broad Tenth Plan Analysis

10. From the broad analysis of the outlay provided during the Tenth Plan for the Department of Telecommunications, the following conclusions can be drawn:—

- (i) The total Tenth Plan outlay as approved by the Finance Commission for the Department of Telecommunications was Rs. 86984 crore (IEBR + GBS). At the BE stage it was Rs. 77388.11 crore. In the Revised Estimates stage, the Plan Outlays was reduced to Rs. 71346.98 crore. Against this, the Department was able to utilize the Outlays to the tune of Rs. 44913.84 crore, the percentage of utilization, hence being 62.95 per cent.
- (ii) The percentage of utilisation of Outlays with respect to RE of (IEBR) during Tenth Plan by BSNL was 65.44 per cent, MTNL — 46.11 per cent, ITI — 15.37 per cent and C-DoT — 56.59 per cent.
- (iii) The percentage utilisation with respect to RE during Tenth Plan (GBS) by Wireless Monitoring Organisation was 1.07 per cent, Wireless Planning and Coordination — 67.8 per cent and by the Telecommunication Engineering Centre — 66.6 per cent.

11. In terms of physical achievements, the Department have reportedly met almost all the targets that were set for the Tenth Plan.

12. The Proposed, BE, RE and Actuals (IEBR + GBS) during the years 2007-08, 2008-09 and 2009-10 (upto July, 2009) are as follows:

| | (Rs. in crore) | | |
|-------------------------------------|----------------|----------|---|
| Proposed/ BE/RE/ Actuals | 2007-08 | 2008-09 | 2009-10 |
| Proposed | 26549.42 | 21971.35 | 17334.80 |
| Budget Estimates | 25561.97 | 21434.60 | 16216.02 |
| Revised Estimates | 16039.30 | 19950.24 | — |
| Actuals | 8414.04 | 12464.08 | 3348.53 (w.r.t. BE) (upto July, 2009) |
| Percentage of utilisation w.r.t. RE | 52.46% | 62.48% | 20.65% |

13. When enquired how the Department would justify projection of Rs. 16216.02 crore particularly when the Department could not fully utilized the funds allocated during the first two years of the Eleventh Plan, the Department is a written note stated as under:

“Since the major part of the plan outlay is on account of the plan outlays of the PSUs (BSNL & MTNL), less than anticipated expenditure has resulted in low utilization percentage in the stated two years. As compared to the GBS utilization percentage of 88.08% and 94.76% respectively in 2007-08 and 2008-09, the corresponding utilization of IEBR has been 51.89% and 61.26%. Since in terms of weightage the IEBR component of the Plan proposals far outweighs the GBS, the resultant drop in overall utilization of the plan outlay due to less than anticipated expenditure of the IEBR is far more pronounced.

BSNL & MTNL have incurred low expenditure during the years 2007-08 & 2008-09. MTNL in particular, because of the shrinking business avenues in its service area is exploring the option of expanding its service areas in overseas by acquisitions or by forming joint ventures etc. Accordingly, during the finalization of the Annual Plans ambitious targets were kept for expansion in new services areas like overseas acquisitions and laying of submarine cable. Overseas acquisitions are being explored in the business interest of MTNL and as such funds have to be earmarked for such licenses. However, since the licenses are awarded based on the criteria adopted by the various countries, MTNL has no control on the outcome. Further, for some of the MTNL projects, although equipment has been installed and is in commercial use, full payment could not be released due to some pending points/features to be demonstrated. Thus, the fund utilization was lower than anticipated. The slashing down of outlay by BSNL is a result of realistic & optimal planning by the PSU. The lower estimates are on account of lower provision made for Switching/WLL Equipment, Transmission Equipment and others which includes Building & Electrical components etc.”

14. When enquired whether the budgetary provision of Rs. 431.00 crore as projected in the 2009-2010 BE would be sufficient to carry out the proposed activities like laying of submarine cables, e-procurement, setting of Telecom Testing and Security Certification Centres, World wide Interoperability for Micro Wave Access (Wi-MAX), OFC based Network for Defence Services, the Department stated that the BE provision would not be sufficient to carry out all the activities.

Shortfall is expected in (i) the project of laying of Undersea Cable between Mainland and Andaman & Nicobar Islands (UMA&N) Scheme. The anticipated expenditure for this project during 2009-10 is Rs. 237 crore against BE allocation of Rs. 61 crore and (ii) For OFC based Network for Defence Services relating to Air Force Network an additional sum of Rs. 331.39 crore would be required against the BE 2009-10 of Rs. 26 crore for completing the project by December, 2009.

IV. THRUST AREAS OF THE DEPARTMENT

15. Network Expansion, Rural Telephony and Broadband Connections have been identified as the three thrust areas of the DoT.

(i) Network Expansion

16. The Department's network expansion envisages 500 million by 2010 and 600 million by 2012. Elaborating on the achievement's during the last two years of Eleventh Plan, the Department stated as under:

"During 1st two years of 11th plan, telecom sector has witnessed a marked increase in the total telephone connections. The number of telephones (wired and wireless) increased from 2058.67 lakh as on 31st March 2007 to 4297.25 lakh as on 31st March 2009 and further to 4790.70 lakh as on 31st July 2009. Thus, there has been an average annual growth of 54.37% per annum during this period. The average tele-density increased from 18.22% in March 2007 to 36.98% in March 2009 and 41.04% in July 2009. The share of urban sector in the total phone connections has been 77.12% in March 2007 which is 71.26% in March 2009. The share of wireless phones has increased from 80.19% in March 2007 to 91.17% in March 2009.

The telephone connections in rural area increased from 471 lakh with tele-density of 5.89 in March 2007 to 1235.13 lakh with teledensity 15.11% in March 2009. As on 31st July 2009, there are 1453.25 lakh rural telephones with rural tele-density of 17.72%. The average annual growth of rural connection has been 81.11% during this period.

The urban telephone connections increased from 1587.67 lakh in March 2007 with tele-density of 48.10% to 3062.12 connections in March 2009 with tele-density of 88.84%. The urban connections grew at the average annual rate of 46.43%.

Under Bharat Nirman, a target of providing VPTs in 66822 uncovered villages was visualised in 2007; out of this 57181 VPTs have been provided till March 2009.

Support from USO Fund is being provided for the innovative scheme of sharing of infrastructure to set up 7871 number of infrastructure sites (towers) spread over 500 districts spread over 27 states, for the provision of mobile services in the specified rural and remote areas, where there is no existing fixed wireless or mobile coverage in the country. The infrastructure so created shall be shared by three service providers for provision of mobile services. As on 31.07.2009, 6209 towers have been set up under this scheme.

The total no. of rural exchanges (of BSNL) have increased to 29346 as on March 2009 as compared to 29203 exchanges in March 2007. Whereas in urban area, no. of exchanges (of PSUs) in March 2009 were 9434 as compared to 9135 in March 2007."

17. Subsequently, during the course of oral evidence the department while elaborating on the share of Public and private Sector separately in Wireline and wireless segment furnish the following data:

| | Wire Line | | Wireless |
|-----------------------|-----------|-----------------|----------|
| Public Sector | | | |
| March, 2008 | 89.38% | March, 2008 | 16.98% |
| September, 2009 | 85.67% | September, 2009 | 13.45% |
| Private Sector | | | |
| March, 2008 | 10.62% | March, 2008 | 83.02% |
| September, 2009 | 14.33% | September, 2009 | 86.55% |

18. As indicated in the Annual Report (2008-09) the growing share of private sector in total telephone connections has steadily increased from 39.27 per cent in 2004 to 79.16 percent in 2009. However, Public sector grew at the rate of 20.84 percent. The private sector is mainly active in the wireless segment while wireline accounts for only about 1.17 percent.

19. In the above context, the Committee desired to know whether any study has been conducted to assess the difference in the growth rate of public & private sectors. In reply, it was stated that no such study has been conducted by the Department.

20. The National e-Governance Plan (NeGP) envisages setting up of State Wide Area Networks (SWAN) with 2Mbps connectivity upto

Block level with facility for extension up to village level through technology like Wi-MAX, etc. In this regard, the Committee desired to know whether the Service Providers both Public & Private sector in the Country, are geared up to provide the necessary telecommunication and other infrastructural support to the respective State Governments/Union Territories. In reply, the Department stated that adequate connectivity is being provided by Public and Private sectors as per requirement of State Governments in a phased manner. However, regarding Wi-MAX/VSAT, action is being taken for their deployment in the villages.

(ii) Rural Telephony

21. Rural telephony has remained another thrust area with the Department for which 200 million rural telephones have been projected by 2012. The Committee were informed that a rural tele-density target of 25 per 100 people has been fixed by 2012.

22. In the above context, the Committee desired to know whether the Department are satisfied with the progress made during the last decade, the Department have stated that in the year 1999 as against the rural tele-density of 0.52, the urban tele-density was 6.94 *i.e.* thirteen times more than the rural tele-density. However, the gap between urban tele-density and rural tele-density started coming down from the year 2007, when it stood at around eight times that of the rural tele-density. The Department also stated that as on 31.08.2009, the rural tele-density is 18.37 as compared to urban tele-density of 98.70. Thus, the gap between the urban and rural tele-density has come down drastically and presently urban tele-density is only around five times that of the rural tele-density.

23. The Committee have been informed that the following measures have been initiated to improve the rural telephones/tele-density:

- (i) Support from Universal Service Obligation Fund (USOF) for provisioning of Rural Direct Exchange Lines (RDELs) in all the 1685 net cost positive Short Distance Charging Areas (SDCAs).
- (ii) Support from USOF for the innovative scheme of sharing of infrastructure by USO Fund to set up 7871 number of infrastructure sites (towers) spread over 500 districts spread over 27 States, for provision of mobile services in the specified rural and remote areas, where there is no existing

fixed wireless or mobile coverage in the country. Also, about 10128 additional towers are planned to be installed in the second phase.

- (iii) Relaxation of norms by Bharat Sanchar Nigam Limited (BSNL) for laying cable upto 5 Kms. of exchanges against the earlier standard of 2.5 Kms. based on demand and techno-commercial consideration.
- (iv) Large-scale deployment of WLL network by BSNL in rural areas.
- (v) Deployment of mobile network along all the Highways by BSNL to give incidental coverage to large parts of rural areas.
- (vi) Remote and far-flung areas, which are not possible to be covered with terrestrial technology, are planned by BSNL to be covered with Digital Satellite Phone Terminals (DSPTs).

(iii) Broadband

24. The Broadband Policy was announced on 14 October, 2004 with a vision of having 20 million broadband subscribers by the end of 2010. The year 2007 has been declared as the 'Broadband Year' and one of the thrust areas of the Department has been stated to be broadband coverage for rural broadband connectivity which will cover institutional users, such as Common Service Centres (CSCs), being set up by DIT, Gram Panchayats, Higher Secondary Schools and Public Health Centres, as well as Individual users located in the villages. An agreement has been signed with BSNL on 20.01.2009 to provide 8,61,459 wire-line Broadband connections to individual users and Government Institutions and 27789 number of kiosks under this Scheme over a period of 5 years, *i.e.* by 2014.

25. Regarding achievement made as on July 2009, the Committee have been informed that about 6.80 million broadband connections have been provided in 3951 cities (70.38%), 5379 block headquarters (83.9%), 610 district headquarters (98.71%) covering about 92,839 villages (15.67%). The total number of rural broadband connections was more than 3.01 lakh and the 24,544 of Community Service Centres (CSCs) were covered.

26. Elaborating further, the Department stated that initiatives have been taken to achieve the stipulated targets by issuing Guidelines for Broadband Wireless Access (BWA) Services and the auction of BWA spectrum will be taken up with 3G spectrum which would help in

increasing penetration of broadband in the country as well as growth in broadband subscribers.

27. Regarding the improvement in the broadband expansion, the Department have informed the Committee that the following steps have been taken for rural wireline broadband scheme:

- (i) In order to bring provisioning of broadband connectivity to the rural areas under the purview of the USOF, the Indian Telegraph Rules have been amended, and stream IV has been added under the title "Provision of broadband connectivity to villages in a phased manner".
- (ii) A scheme has been launched to provide wire-line broadband connectivity in fixed mode to rural and remote areas by leveraging the existing rural exchange infrastructure and copper wire-line network.

28. Regarding the implementation status of wireline broadband scheme, the Committee have been informed that an agreement has been signed with BSNL on 20.01.09 to provide 8,61,459 wire-line broadband connections, in and around 28,000 villages/rural locations, to individual users and Government Institution over a period of 5 years by 2014. The subsidy disbursement is for (i) Broadband connections, (ii) Customer Premises Equipment (CPE), (iii) Computer/ Computing devices, and (iv) Setting up of Kiosks for public access to broadband services. It has been informed that the estimated subsidy flow is about Rs. 1500 Crore.

29. Besides, the Department has informed that a rural wireless broadband scheme has been prepared to provide broadband facility to about 5 lakh villages. The different User Ministries/Departments are being coordinated to prioritize and firm up their requirements. The Department have further informed that the Scheme would be launched after the BWA and 3G spectrum auction. In the North-East area the target during the year 2008-09 was for 24,200 and for Tribal Sub Plan the target was 1,10,025. Regarding, the achievement in case of North East it was 29,431 which was more than the targets. In case of Tribal Sub Plan, the achievement was 58,114 *i.e.* 52.81 per cent of the target.

30. The Committee have been informed that Wi-Fi access in major public utility places like Airport, Malls, Hotels etc. is being implemented in a progressive manner by BSNL. Outdoor and indoor usage of low power Wi-Fi and Wireless Broadband systems in

2.4 GHz-2.4835 GHz band and the use of low power indoor systems in 5.15-5.35 GHz & 5.725-5.875 GHz have been delicensed. Simplification of statutory clearances are being done for location of towers for creating the required infrastructure at a faster pace.

V. UNIVERSAL SERVICE OBLIGATION FUND

31. The New Telecom Policy, 1999 (NTP) envisaged provision of access to telecom services to all at affordable and reasonable prices. The resources for meeting the Universal Service Obligation (USO) are generated through a Universal Service Levy (USL), which is a percentage of the revenue earned by the operators under various licenses. Keeping in line with NTP' 99, the Universal Service Support Policy came into effect from 1.4.2002.

32. The Committee have been informed that the ongoing USOF activities included subsidy provision towards Village Public Telephones (VPTs), replacement of MARR VPTs, provision of Rural Community Phones (RCPs), individual Rural Direct Exchange Lines (RDELs) and shared infrastructure mobile services schemes (First Phase). The following new activities were also stated to be planned during the 2009-10 fiscal:—

- (a) New VPTs in remaining villages as per Census, 2001.
- (b) Shared Infrastructure Mobile Services Scheme (2nd Phase)
- (c) Operational sustainability of Wireline Network installed prior to 01.04.2002.
- (d) Wire Line Broadband connectivity in rural and remote areas.
- (e) Creation of general infrastructure for the development of telecom facilities—Optical Fibre Connectivity.
- (f) Pilot Projects for induction of new technological developments in telecom sector.

33. In the above context, the Committee desired to know the allocation/availability to USOF and utilization of the outlay. In this regard, the Committee have been informed that during the year 2008-2009 the estimates projected was Rs. 2,900 crore. However, at BE stage it was to Rs. 2000 crore was provided BE was further reduced to Rs. 1600 crore at the RE stage and was fully utilised. A provision of Rs. 2400 crore has been made in 2009-10 BE against the projection of Rs. 3000 crore.

34. The status of booked figures of collection of USL as per the Department up to 31.03.2009 is as follows:

| Sl.No. | Year | Collection under USL (in crores of Rs) |
|--------|---------|---|
| 1 | 2002-03 | 1653.60 |
| 2 | 2003-04 | 2143.22 |
| 3 | 2004-05 | 3457.73 |
| 4 | 2005-06 | 3215.13 |
| 5 | 2006-07 | 3940.73 |
| 6 | 2007-08 | 5405.80 |
| 7. | 2008-09 | 5515.14 |
| Total | | 25331.35 |

Note: USL figure for 2008-09 is provisional

35. Details of budget estimate, budget allotment, revised allotment and actual expenditure from USOF (in Rs. Crores) is given below:

| Financial Year | Estimates Projected | Budget Allotment | Revised Allotment | Final Allotment | Actual Expenditure |
|----------------|---------------------|------------------|-------------------|-----------------|--------------------|
| 2002-03 | | | | 300.00 | 300.00 |
| 2003-04 | 1653.61 | 100.00 | 200.00 | 200.00 | 200.00 |
| 2004-05 | 2700.00 | 200.00 | 1200.00 | 1314.59 | 1314.59 |
| 2005-06 | 5000.00 | 1200.00 | 1750.00 | 1766.85 | 1766.85 |
| 2006-07 | 3500.00 | 1500.00 | 1500.00 | 1500.00 | 1500.00 |
| 2007-08 | 3000.00 | 1800.00 | 1450.00 | 1290.00 | 1290.00 |
| 2008-09 | 2900.00 | 2000.00 | 1600.00 | 1600.00 | 1600.00 |
| 2009-10 | 3000.00 | 2400.00 | | | |

36. The Department has further added:

“During the period 2002-03 to 2008-09, a total amount of Rs. 7971.44 Cr. was allotted and disbursed through USOF. In the current financial year 2009-10, an allotment of Rs. 2400 Cr. has been made

in BE and till July 2009 in the current financial year, funds of Rs. 437.99 Cr. had been disbursed through USOF, thus making the total disbursement of Rs. 8409.43 Cr. during the period from 2002-03 till July 2009. Further, till September 2009 in the current financial year 2009-10 funds to the extent of Rs. 1591.34 Cr. have been disbursed. Thus, the total disbursement during the period 2002-03, till September 2009 is Rs. 9562.78 Cr.”

37. Regarding the reasons for reduction from “Rs. 2000 crore at BE stage to Rs. 1600 crore at RE stage during 2008-09, the Department stated that it was due to unavoidable delays in the initiation of the roll out of the Rural Broadband (wireless) scheme, Mobile infrastructure Phase-II and OFC schemes. However, the entire RE provision of Rs. 1600 crore was utilized.

38. Regarding the measures taken to tide over the constraints of creating infrastructure facilities and operation of telecommunication networks in rural areas, the Department informed the Committee that USO Fund provides sufficient subsidy support both for the Capital & Operational expenditure (as defined in USOF Rules) for different services and for setting up of the infrastructure. While formulating the Benchmark level of subsidy which serves as the upper level of subsidy for any scheme, the USOF duly takes into account the aspects of commercial and economic viability of the schemes and the intention of USOF is to incentivize service providers to venture into rural areas by addressing the viability gap.

39. During the evidence, the representatives of the Department further added as under:—

“.....For BSNL, after formation, reimbursement of licence fees, spectrum charges were granted. That was Rs. 6,948.64 crore. This amount has been adjusted from the USO Funds. So, if we see the balance, as on 31.3.2009 the amount available is Rs. 10,411.27 crore. With respect to this, two things are to be borne in mind. The USO was formed after the amendment of the Act in 2002-03. In the initial years the USO's activities were limited to only the basic telephone services. It meant that our activities were only for village public phones and individual lines in rural areas. The Act was further amended in December, 2006 which enabled the USO to cover the entire gamut of telecom activities in the rural areas. This indeed expanded our horizons. We started with a slew of schemes to address all telecom needs in uncovered or unviable rural areas. Naturally, for any scheme to be formulated and rolled out, there

is a gestation period. Therefore, the USO's expenditure has started picking up after that. In support of this, current year we had asked for Rs. 3,000 crore and we have been granted Rs. 2,400 crore. Definitely, we will be surpassing this figure. We hope that our original amount asked for, that is Rs. 3,000 crore, will be granted at the RE stage. This would be the highest ever expenditure by the USO so far in any financial year. So, the point that I am making is that our expenditure is picking up. We have a shelf of schemes lined up and they are gradually being rolled out and the tempo of the USO expenditure is picking up. The concern which was pointed out by you that expenditure is small fraction of the collection, the situation will be favourably corrected in the very near future."

40. Regarding the system available with the Department to monitor the different schemes being implemented with the USOF, it was stated that the implementation of different schemes is being effectively monitored both at the USOF headquarter level as well as at the field level through the 22 Controller of Communications Account (CCA) offices. Feedback from the service providers is called for periodically by the USOF headquarter through various Management Information System statements and meetings are held with the service providers/infrastructure providers at regular intervals. In the Mobile Infrastructure Phase-I scheme, the USOF headquarter holds monthly meeting with the service providers. Similarly the CCA offices are holding monthly coordination meetings with the service providers at field level and are continuously liaising with the State and Local Government authorities to resolve local problems such as land acquisition, security and power being faced by service providers.

41. Elaborating further, the Department have informed the Committee that the following provisions also exists by way of inspection, monitoring and control of activities:

- (i) To ensure adherence to the quality of service envisaged in the schemes, suitable clauses are included in the Agreements entered into with the Service Providers. They are also required to maintain and submit various records and returns in this regard.
- (ii) The agreements provide for deductions in subsidies if the facility is non-functional on account of closure, faults, or disconnection for non-payment.
- (iii) The agreements for new installations provide for imposition of liquidated damages in case of failure to meet the roll-out obligation within the specified period.

- (iv) In terms of the stipulations in the agreements, all subsidy claims by the service providers are to be self-certified by way of an Affidavit in prescribed format to ensure that claims are being submitted in accordance with terms and conditions of the Agreements.
- (v) Checking of subsidy claims to ensure compliance with instructions contained in the respective USOF agreements is done by the 22 Controllers of Communications Accounts (CCA) Offices to whom this work has been delegated. Post payment monitoring by way of sample physical verification is also carried out by the CCA Offices. For the Mobile Infrastructure Phase-I scheme hundred percent physical verification is being carried out.
- (vi) To safeguard the interest of the Government further provisions exist in the agreements for submission of a statutory auditors' report by the USPs annually by 30th September, in respect of the claims preferred by the USPs during the previous year. Any amount found to have been claimed and paid in excess of 10% of the amount due is to be recovered from the service providers along with penal interest.
- (vii) The amount of subsidy found to be inadmissible/wrongly claimed at the time of preliminary checking of the claims as also post-facto verification/inspection is disallowed/adjusted against subsequent quarter claims. Further, the amount found inadmissible as per statutory auditors' report is also recovered/adjusted along with the penal interest, wherever chargeable, as per terms and conditions of the agreement. Till 1.9.09 claims amounting to Rs. 606 crores have been disallowed by CCA offices.

VI. BHARAT NIRMAN PROGRAMME

(i) Village Public Telephones (VPTs)

42. Village Public Telephones (VPTs) is one of the ongoing activity under Universal Service Obligation Fund. Provisions of these VPTs has been included as the telephone connectivity component under Bharat Nirman Programme. Nearly 5.42 lakh VPTs have already been receiving support towards operation and maintenance covering more than 90 percent of the villages which were identified as per Census 1991. Agreements were signed with BSNL in November, 2004 to provide subsidy support for the remaining uncovered eligible 66822

villages. Out of this, 14183 VPTs were to be provided in satellite based media. These uncovered eligible 66822 villages were to be provided VPTs in a phased manner (20%, 40%, 40%) over a period of three years by November 2007. However the roll out period has been extended till November 2009. As on 31.08.2009, 59346 VPTs have been provided. The remaining VPTs are to be provided in a phased manner by November 2009. Most of the remaining VPTs are to be provided in the States of Jammu and Kashmir, Meghalaya, Arunachal Pradesh, Manipur, Orissa and Uttarakhand.

43. The year-wise achievement in respect of provision of VPTs are given below.□

| Year | Targets | Achievement |
|---------------------------|---------|-------------------|
| 2004-05 | 4455 | 7295 |
| 2005-06 | 17819 | 17392 |
| 2006-07 | 26729 | 22282 |
| 2007-08 | 17819 | 7188 |
| Total | 66822 | 54157 |
| 2008-09 (Extended Period) | 12665* | 3024 |
| 2009-10 (Extended Period) | 9641* | 414 (till May 09) |
| Total | 66822 | 57595 |

*Targets for 2008-09 (66822-54157=12665)

*Targets for 2009-10□(12665-3024=9641)□

44. The target set for 2008-09 was 12665 VPTs but the achievement made was only 3024 *i.e.* only 23.88 per cent achievement. In this regard, the Committee desired to know the reasons for such a huge under achievement. In reply it was stated that the reasons for non-achievement were attributed to villages located in extreme remote areas, tough terrain, naxalite/insurgency affected areas, delay in setting up of the communication network, non-availability of satellite transponders and subscriber end equipment, etc.

45. When asked about the steps that have been taken to overcome the above impediments so that the targeted VPTs could be provided by November, 2009. In reply, it was stated that State Governments have been requested to provide the necessary help to the Service Providers in overcoming the problems relating to extreme remote areas,

tough terrain, naxalite/insurgency, delays in setting up of communications network etc .

46. Enquired about the preparedness of BSNL to cater to the needs of the uncovered villages, the Department informed the Committee that most of the work under the Bharat Nirman Agreement has been completed except the installation of VPTs on Digital Satellite Phone Terminals (DSPTs).

(ii) Newly Identified VPTs

47. A revised list of 62443 villages, not having VPT facility, has been prepared after reconciliation of actual number of VPTs provided based on Census, 2001. This revision in the number of remaining uncovered villages list is on account of new villages appearing in Census 2001. These 62443 villages (inclusive of the villages proposed to be dropped under Bharat Nirman) villages still remaining uncovered are also being provided with VPT facility with subsidy support from USO Fund. An agreement to this effect has already been entered with BSNL on 27th February 2009. However, the VPTs already provided by M/s BSNL during the period 01.10.2007 to 26.02.2009 shall also be eligible for subsidy support under this Agreement and such VPTs shall deem to have been installed on 27.02.2009. As on 31.08.2009 a total number of 31464 VPTs i.e. 49.6 per cent have been provided under the New VPT Agreement. The remaining VPTs are likely to be provided in a phased manner by February, 2011.

48. The Department has further clarified that the VPTs being provided under Bharat Nirman are not a part of the VPTs being provided under Newly Identified VPTs agreement.

(iii) Provision of Rural Community Phones (RCPs)

49. The Committee were informed that agreements have been signed with M/s BSNL and M/s RIL in September, 2004 for installation of 46,253 Rural Community Phones (BSNL –24822 and RIL-21431) by September, 2007 in a phased manner in villages with a population more than 2000 and without a public phone. The number of RCPs to be provided was subsequently revised as 40705 (BSNL : 21958, RIL : 18747). As on 31st May, 2009, a total of 40691 RCPs have been provided by both the companies [BSNL: 21958, RIL: 18733]. Remaining RCPs were to be provided by August, 2009.

50. The target and achievement since 2004 has been given as under:

| Year | Target | Achievement |
|---------|--------|----------------------|
| 2004-05 | 4071 | 5869 |
| 2005-06 | 12211 | 19439 |
| 2006-07 | 16282 | 11224 |
| 2007-08 | 8141 | 2357 |
| Total | 40705 | 38889 |
| 2008-09 | 1816 * | 1800 |
| 2009-10 | 16 # | 2 (till May 2009) |
| Total | 40705 | 40691 |

*Targets for 2008-09 (40705-38889=1816)

#Targets for 2009-10 (1816-1800=16)

51. In the above context, the Committee desired to know the basis/reason for reduction of RCPs target from 46,253 to 40,705. In reply, it was stated that it was primarily on account of availability of already existing PCO facility in such villages. Further a few of the RCPs could not be installed on account of non-feasibility, depopulated, sub-merged, transferred to urban areas, etc.

52. Regarding the delay in provisioning of RCPs, the Committee desired to know the reasons for the BSNL and RIL for not adhering to the prescribed deadline *i.e.* by September, 2007. In reply, it was explained that the delay in roll out of the RCPs is on account of the following reasons:

- (i) non-availability of the equipments leading delay in roll out of network for provision of RCPs,
- (ii) unavailability of power supply for charging the Fixed Wireless Terminal (FWT) batteries,
- (iii) custodians not available due to low purchasing power, remoteness and geographical terrain and thinly populated and
- (iv) delay in availability of PoI especially with M/s BSNL for roll out of fixed wireless services. However, as on 31.08.2009, the percentage of achievement is stated to be 99.77 per cent.

53. When enquired about the provisions for maintenance of RCPs after their installations, the Department stated that the detailed terms and conditions for the maintenance of RCPs have been prescribed in the agreements signed with the Service Providers. Provision of fault free and efficient RCP service is one of the prime concerns of the Administration. The following broad guidelines have to be followed by the Universal Service Provider (USP) to ensure proper functioning of RCPs:

- (i) Testing of RCPs should be carried out regularly from the exchange.
- (ii) Testing of WLL links should be carried out daily from Main Exchange.
- (iii) Meter reading should be checked fortnightly and low reading should be taken as indication of the system not performing properly and subsequently be checked.
- (iv) RCP Custodians should be advised to book their fault at telephone exchange and/or the nominated nodal officer.
- (v) Inspection schedules should be formulated by the Service Provider and should be strictly adhered to.
- (vi) RCPs disconnected for non-payment may be shifted to new location/custodian.
- (vii) Un-serviceable components of the system should be replaced.
- (viii) In case of public complaints about non-availability of RCP on account of their less accessible location etc., USPs are authorized to relocate RCPs in grocery shops and such other locations etc.
- (ix) In cases where meter readings remain zero due to non-use of RCPs for a prolonged time and not due to faults, USPs are authorized to shift RCPs to other suitable location. Selection of alternate custodian/location in the same village in this situation should be made by USP.
- (x) The RCP should be available to general public without discrimination for at least 12 hrs. preferably from 7AM to 7 PM.

(iv) Replacement of Multy Access Radio Relay (MARR) based Village Public Telephones (VPTs)

54. The Committee have been informed that as per original agreements 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 1,85,121 and three extensions were granted to BSNL to replace such VPTs by 31st March, 2009.

55. In the above context, the Committee asked the reasons for reduction for original target. In reply, it was stated that it was primarily on account of reconciliation exercise carried out by BSNL at the field level for verification of MARR based VPTs actually existing and those already replaced.

56. Enquired as to why BSNL has not been able to replace VPTs even after three extensions, the Committee have been apprised that around 99.53 per cent MARR VPTs have already been replaced as on 31.08.2009 and only 875 VPTs are remaining for replacement. Most of the remaining 875 MARR based VPTs are to be replaced in the States of Meghalaya, Mizoram, Arunachal Pradesh, Manipur, Assam, Orissa & Chhattisgarh. These remaining MARR VPTs are located in far off and isolated areas where the expansion of network is not easily feasible and in order to fulfil the USOF obligations, BSNL is in process of procurement of CDMA equipment and in some of the MARR VPTs they are also to be replaced on Digital Satellite Phone Terminals (DSPTs). However, the procurement of CDMA equipment is stated to be still in progress.

(v) Provision of Individual Rural Direct Exchange Lines (RDELs)

57. The Committee have been informed that agreements were signed in March 2005 with M/s BSNL, RIL, TTL and TTL (Maharashtra) for installation of individual rural household Direct Exchange Lines (RDELs) in the country during 01.04.2005 and 31.03.2007. As per the agreements signed, these RDELs were 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 total 2647 SDCAs, where cost of providing telephone connection was more than the revenue earned. The contracted SDCAs amongst these companies were BSNL -1267, RIL - 203, TTL - 172 and TTL (Maharashtra) - 43. As on 31.05.2009 about 64,55,166 RDELs were provided (BSNL – 20,57,950, RIL – 18,20,051, TTL – 18,58,162 and TTL (Maharashtra)— 53,07,68) under this scheme. However, the scheduled date for

installation of the RDELs has been extended upto 31.03.2010. The detailed status of achievement in this regard since 2005 has been given as under:

| Year | Achievement by BSNL | Achievement by RIL | Achievement by TTSL | Achievement by TTML | Total Achievement |
|---------|------------------------|-----------------------|------------------------|------------------------|----------------------|
| 2005-07 | 891363 | 737207 | 694751 | 209149 | 2532470 |
| 2007-08 | 420341 | 465842 | 230916 | 139669 | 1256768 |
| 2008-09 | 707365 | 579344 | 874366 | 362144 | 2523219 |
| 2009-10 | 38881 | 37658 | 58129 | 8041 | 142709 |
| Total | 2057950 | 1820051 | 1858162 | 719003 | 6455166 |

Subsidy: The subsidy support is also being provided for about 18,65,690 Rural DELs installed in the eligible SDCAs during the period 01.04.02 and 31.03.05.

58. In the above context, the Committee desired to know as to why the schedule date has been extended upto March, 2010. The Department stated that it was because of the requests that were received from all the Universal Service Providers (USPs) seeking extension of time for rollout of RDELs beyond the scheduled date of installation.

(vi) Shared Infrastructure Mobile Services Scheme (First Phase)

59. Regarding the shared infrastructure mobile services scheme (First phase), the Committee have been informed that the scheme was launched by USO Fund to provide subsidy support for setting up and managing 7871 number of infrastructure sites (towers) in 500 districts spread over 27 States 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 three service providers *i.e.* BSNL, Vodafone and Reliance for provision of mobile services including other Wireless Access Service like Wireless on Local Loop (WLL).

60. The agreements effective from 01.06.2007 have been signed with the successful bidders in May 2007. The roll out period which was initially one year has subsequently been extended for one more year *i.e.* by May 2009. The USPs was to provide the mobile services

from each of the Mobile Services Sites, within two months of the commissioning of the Infrastructure Site by the IP. The number of towers to be installed have since been revised to 7440 based on actual field survey and coverage achieved thereof as per the terms and conditions of the agreements. During the course of oral evidence, the Department gave a different data with regard to the aforesaid number. It was explained that 7436 towers were to be set up spreading over 500 districts in 27 States for providing mobile services. 6566 (88.3%) towers have been set up as on 30.09.2009.

61. With regard to the delay in installation of the towers, the Committee have been informed that it is mainly on account of the scheme being implemented in the rural and remote areas of the country, many of which are not connected by roads and public transport. The delay is also attributed for areas being disturbed, effected by terrorism, forest areas, hilly terrain, snow bound and the revenue record of the land in many of the villages being incomplete or inconsistent resulting into delay in acquiring of land and signing of lease deeds and its registration thereof etc.

62. In this context, the Committee desired to know as to why these constraints were not identified before they were planned/taken up as a part of implementation of the scheme. In reply, it was stated that all the service providers were informed about the locations and remoteness of the sites where the towers were proposed to be installed before submitting their bid.

(vii) Shared Infrastructure Mobile Services Scheme (Second Phase)

63. Regarding the shared infrastructure mobile service scheme (Second phase), the Committee have been informed about a proposal to further cover the hitherto uncovered areas in the country through mobile services. For this 10,128 additional sites have been identified for setting up shared towers. These towers will be installed in the second phase of the scheme which is likely to be launched shortly.

64. In response to a specific query regarding the parameters that have been identified for the additional sites, it was stated that villages or cluster of villages having population of 500 or more and not having mobile coverage are being taken into consideration. The second phase of the scheme was not yet launched.

VII. PILOT PROJECTS UNDER USOF

65. The Committee have been apprised that for the induction of new technological developments in the telecom sector on a pilot project basis in rural and remote areas, USOF had recently invited applications from the eligible companies to undertake pilot projects for demonstrating their products/ services in the field of Rural Broadband.

66. The Committee have been informed that about five pilot projects are likely to be provided subsidy support at an upper ceiling of Rs. 50 lakh per project during the Financial Year 2009-10. Support is also being considered for renewable energy sources (Solar, wind, hybrid solutions) for 20 sites on pilot basis. Further, support is also being considered for mobile charging stations in 5000 villages through TERI projects of Lighting a Billion Lives (LaBLs). However, as per the latest information, none of these pilot projects have taken off.

67. When enquired about the steps that have been initiated by the Department to ensure that the pilot projects see the light of the day, the Department informed that USOF has already signed a MoU with M/s Vihan Networks Ltd., for deployment of rural telephony solution on a pilot project basis. The terms and conditions for testing and evaluation of the same are being worked out. In addition to this, MoUs for some of the other pilot projects are under process. As regards the pilot projects to establish the technical feasibility and financial viability for solar/solar-wind hybrid renewable energy systems in shared mobile infrastructure sites in rural/remote areas, the bids are currently under evaluation. Further, USO Fund is also in the process of signing a MoU with TERI.

VIII. TELECOM REGULATORY AUTHORITY OF INDIA (TRAI)

68. The Telecom Regulatory Authority of India (TRAI) was established under the Telecom Regulatory Authority of India Act, 1997 enacted on 28 March 1997. The TRAI (Amendment) Act, 2000 led to reconstitution of the Authority. It consists of one Chairperson, two full-time members and two part-time members. TRAI has endeavoured to encourage greater competition in telecom sector together with better quality and affordable prices, in order to meet the objectives of NTP' 99 *vide* Notification of the Government dated 9th January 2004, broadcasting and cable services have also been included in the definition of 'telecommunication service' under the TRAI Act, and thus, broadcasting and cable services have also come under the purview of TRAI.

69. The details of the Plan allocation made at BE, RE and actuals during the year 2007-08, 2008-09 and 2009-10 are as under:

(Rs. in crore)

| Year | BE | RE | Actuals | Percentage of utilisation w.r.t. RE |
|---------|----|----|---------------------------|-------------------------------------|
| 2007-08 | 3 | 8 | 3 | 37.50 |
| 2008-09 | 10 | 10 | 3 | 30.00 |
| 2009-10 | 10 | - | 3.30 (upto July, 2009) | 33.00 |

70. The Non-Plan allocation made for TRAI in this regard are as under:

(Rs. in Crore)

| Year | Approved Budget | Expenditure |
|---------|-----------------|-------------|
| 2007-08 | 25.34 | 21.74 |
| 2008-09 | 24.80 | 27.05 |
| 2009-10 | 24.00 | |

71. In the above context, when asked as to how TRAI plan to utilise the total of Rs. 34 crore allotted during 2009-10 (Plan Rs. 10 crore and non-Plan Rs. 24 crore) that has been outlayed for, the Department informed that 'payments' for expenditure amounting to Rs. 13.40 crores upto August 2009 have already been made and the balance will be spent in the remaining period during 2009-10.

IX. IMPORTANT PLAN SCHEMES/PROJECTS

Percentage of Utilisation of Funds in Some of the Programmes/ Schemes during 2007-08, 2008-09 and 2009-10

Percentage of utilisation of funds w.r.t. RE

| Scheme/Programme | 2007-08 | 2008-09 | 2009-10 (upto July, 2009) |
|--|---------|---------|------------------------------|
| Wireless Monitoring Organisation (WMO) | 0.00% | 27.67% | 1.73% |
| Wireless Planning and Coordination (WPC) | 48.76% | 38.04% | 43.00% |
| Telecommunication Engineering Centre (TEC) | 28.89% | 7.92% | 0.00% |

(i) Telecom Engineering Centre (TEC)

72. TEC is responsible for the standardization and development of generic requirement, interface requirements for Telecom Equipment services and products. It is also responsible for new telecom technology study, trials evolution and induction in the network.

73. The main activities of TEC consist of—

- Drawing up of technical specifications and engineering specifications for new products, equipment, systems, etc.
- Coordination and evaluation of new products, equipment and systems including Type Approval, Interface Approval, etc.
- Providing engineering support to the Department.
- Investigation into operational problems, minor modifications to equipment, methods, etc.
- Support the field units of DoT (now MTNL and BSNL) in the development of tools, testers, methods and maintenance aids, etc.

74. The Organisation of TEC consists of a Headquarters Group or the Core Group located at New Delhi and a unit at Hyderabad and the Regional Centres at 5 locations, *i.e.* Bangalore (with one sub-centre at Chennai), Calcutta, Delhi, Hyderabad and Mumbai (with one Sub-Centre at Pune).

75. The functions of TEC primarily consist of—

- Framing of Generic Requirements (GRs), Interface Requirements (IRs)
- Promoting standards
- Validation and testing of the products, equipment, systems, services, etc.
- Engineering and technical support to DoT, etc.

76. The functions of Regional Centres of TEC are primarily related with—

- Type Approval Certificate (TAC), Interface Approval Certificate (IAC) and other testing activities.
- Point of Interconnect Testing, Service Testing, etc.

77. The Committee have been informed that the Plan allocation for TEC for the 2008-09 at BE stage was Rs. 10 crore which was reduced to Rs. 1.01 crore at the RE stage. However, the actual was only 0.08 crore. A sum of Rs. 8.00 crore has been provided under the Plan BE of 2009-10 for setting up of Next Generation Networks (NGN) test lab and other activities. The percentage of utilisation of funds during 2007-08, 2008-09 and 2009-10 (upto July, 2009) were 28.89 per cent, 7.92 per cent, 0.00 per cent respectively.

78. In the above context, the Committee asked the reasons behind drastic reduction of Rs 8.09 crore during 2008-09 at the RE stage. In reply, the Department stated that funds were asked for installation of NGN Test-bed, in anticipation of the approval of SFC (Standing Finance Committee) for the project, from the competent authority. However, the SFC approval could not be obtained and therefore, the amount had to be reduced at the RE stage.

79. Enquired as to how TEC plan to fully utilise the 2009-10 BE amount of Rs. 8 crore, the Department in their reply stated that due to non-sanction for the project for installation of NGN Test-bed, no expenditure could be made in the beginning of the current fiscal.

80. The Committee desired to know about the plan of action that has been chalked out by TEC to optimally achieve the Schemes/ Projects earmarked during 2009-10. The Department it was stated that in anticipation of receipt of sanction of SFC for the project for NGN Test-bed, the scope of constituent labs has been defined, preliminary details of the equipment required have been worked out, protocols for conformance testing with reference to the RFC/standards have been identified, and interface requirements have been prepared. However, in a subsequent note the Committee have been informed that the NGN Test-bed project has now been formally approved by competent authority, and it is expected that the procurement process will begin in this financial year.

(iv) Centre For Development of Telematics (C-DoT)

81. The Centre for Development of Telematics (C-DoT) was set up by the Government of India on August 25, 1984 as an autonomous scientific society under the Societies Registration Act, 1860, with its registered office in New Delhi. Its activities focus on research and development in the areas of Telematics technology, products and services. The organization is funded mainly by way of grants-in-aid from the Government.

82. The key objectives of C-DoT include:—

- (i) Development of total telecom solutions, technologies and application for the fixed line, mobile and packet based converged network and services with particular emphasis on rural and remote areas.
- (ii) Development of local manufacturing capabilities for C-DoT products by using indigenous ancillary industries for components.
- (iii) Research in the frontiers of information technology and telematics, taking into account futuristic trends.
- (iv) Research and development in the telecom security arena of telecom equipment as well as services.

83. The Committee have been informed that during the years 2007-08 and 2008-09, out of the budgetary allocations (GBS+IEBR) of Rs. 130.97 crore (RE) and Rs. 151.78 crore (RE) respectively for C-DoT, the actual expenditure in the corresponding years was Rs. 131.89 crore and Rs. 134.29 crore. The BE for 2009-10 has been provided for an amount of Rs. 345.00 crore (GBS+IEBR).

84. When asked to state whether C-DoT have been able to optimally achieve the targets under various Projects/Schemes undertaken during the year 2008-09, the Department in their reply stated that C-DoT has achieved 65 per cent of the targets fixed. However, they are pursuing continuously to improve its processes to achieve higher performance in research and development activities. For the year 2009-10 because of certain important MoUs signed, quick developmental responses to the policies of the Government regarding active sharing of resources like Base Trans/Receiver Systems and Base Station Controller Systems. C-DoT is confident of achieving the performance close to 80 per cent of the targets planned for the year 2009-10.

85. Enquired as to how C-DoT is planning to generate internal resources during 2009-10, the Department informed the Committee that the activities planned during the year 2009-10 include the projects of both national importance as well as revenue generating projects/activities which are being executed on commercial basis. The internal resources during the year 2009-10 have been planned for Rs. 45.00 crores.

86. Enquired about the revenue generation targets which are projected for the remaining Eleventh Plan period, the Department in their reply stated that revenue to the tune of Rs. 278.36 crore is expected. The plan of action to realize the revenue will focus more on commercializing the technology. The Department informed that the other steps that have been envisaged for C-DoT include the following:

- (i) some of the technology projects after necessary trials, will be pushed for commercialization using ToT (Transfer-of-technology)/Royalty model,
- (ii) the implementation of technology project based on the concept of develop, build and operate applications would also help in achieving internal revenue targets,
- (iii) undertaking software intensive solution for operators and service providers on turnkey basis,
- (iv) the field support and up-gradation of the deployed technology on commercial basis, and
- (v) C-DoT also proposes sharing of Intellectual Property Rights (IPR) with others as well as value addition to its own and third party technologies, technical consultancy and those customized for users will also help in realizing the internal revenue generation planned for the period.

X. DoT PROJECTS

87. A Budgetary Support of Rs. 431.00 crore for 2009-10 has been provided for DoT Projects which *inter alia* includes provision for the following DoT Projects.

88. Setting up of Telecom Testing and Security Certification Centre (TETC): Setting up of Telecom Testing and Security Certification Centre was initiated in 2006-07. The scheme has been made part of C-DOT (Plan) and Rs. 5.00 crore has been provided for in the Plan 2009-10.

89. The Committee have been informed that presently, TETC is focusing on setting up testing methodologies and also for arriving at the standards for Security Certification and have studied the available security standards for IT and telecom and is in the process of formulating necessary security standards for the country. The Committee have been informed that at present, there are no readymade standards for evaluation and testing of telecom equipment from

security angle. TETC has already completed a comprehensive survey of available standards including the Common Criteria and FIPS 140, BS 7799 and ISO/IEC 27001 for information security and compared their merits and demerits and the practices being followed in various countries and their testing methodologies and the criteria adapted have also been studied.

90. Technology Development and Investment Promotion: For providing technical assistance for promoting investment in the manufacturing sector, export of telecom equipments to the developing/ underdeveloped nations and setting up of Telecom Centres of Excellence (TCoE), an amount of Rs. 3.00 crore has been provided for the year 2009-10.

91. The Committee have been informed that the major areas of projects undertaken under Technology Development and Investment Promotion are (i) Energy efficient devices for rural application using non-conventional resources like wind energy, hybrid energy power plant for telecom application, energy efficient power converter; (ii) Projects related with Wi-MAX application; (iii) Viable model for increasing rural teledensity, rural education; (iv) Application developing secured network system; (v) Implementation of IPv6 standard; (vi) Value added services like mobile based video servicing; (vii) Mobile number portability; (viii) Socio-economic impact of mobile; and (ix) Quality service and resource allocation for 4G network including 4G standardization, development work in Next Generation Network etc.

92. Undersea Cabling between Mainland and Andaman & Nicobar (UM&AN): The scheme has been proposed to be funded by Government of India and executed by M/s Millennium Telecom Limited, a joint venture company of BSNL and MTNL. The total cost of the project is Rs. 522.06 crore. A sum of Rs. 61 crore has been provided for this project in BE 2009-10. The Department have informed that the tender for the works has been done by M/s Millennium Telecom Limited and the financial evaluation report has been submitted to MTL Board for approval. After the approval the works will be awarded by MTL to the successful bidder.

93. OFC based network for Defence Services (DS): The Department has in the context of coordination/vacation of spectrum by Defence Services, based on a meeting between Secretary (Telecom) and Defence Secretary, it was agreed in principle that DoT would help in replacement of some of the Defence wireless networks between fixed locations, with Optical Fibre Cable based network through BSNL,

etc. The urgency for coordination/vacation of spectrum by Defence for growth of mobile services as well as introduction of 3G services, has been recognized at the level of PMO also. The Ministry of Defence has requested for this project to be undertaken by DoT, with DoT funds, for faster execution etc.

94. The total projected outlay required for replacement of some of the Defence wireless network between fixed locations is Rs. 9970.16 crore which includes Rs. 1077.16 crore for the Air Force Network and Rs. 8893 crore for Army and Navy. The allocation projected for the Eleventh Plan was Rs. 980 crore, while the amount allotted by Planning Commission for the Eleventh Five Year Plan is Rs 452.42 crore (at current prices). Further, the Committee have been apprised that the Group of Ministers (GoM) in its meeting held on 6th February, 2009 has decided to provide an exclusive dedicated network for Armed Forces to be completed in three and half years. A Memorandum of Understanding (MoU) between Ministry of Communication and IT (MOCIT) and Ministry of Defence has been signed to this effect. The Army and Navy Network component would be taken up after the project is approved by CCEA. The project is currently examined by an Inter ministerial Group which shall submit its report in November, 2009 to the Telecom Commission. An amount of Rs. 26 crore has been provided in BE for 2009-10.

95. When asked as to how the Department would achieve the objective of providing an exclusive network for armed forces within three and half years with the amount allocated. In reply, it was stated that an amount of Rs. 719.77 crores until the end of financial year 2008-09 has been reimbursed by DoT to BSNL for the expenditure incurred by BSNL for the Air Force OFC Network project. An outlay of Rs. 26 crore has already been provisioned in the financial year 2009-10 under Budget Estimate and fresh request for Rs. 357 crore has already been sent under Revised Estimate in the current financial year. With the availability of this fund, the Air Force component of the project is likely to be completed in this financial year itself.

XI. SPECTRUM ISSUES

96. With regard to the recent controversy about 2G spectrum, the Department furnished the following information:—

- (i) On 17.11.2003, DoT decided to accept and process the Unified Access Service Licences applications similar to the manner adopted for Basic Service License. On 24.11.2003, the then Hon'ble Minister of Communications and

Information Technology approved the approach of granting of UAS Licences on First-Come-First Served basis as the announced guidelines had made it open for new licences to be issued on continuous basis at any time and spectrum was to be allotted subject to availability. This in effect implied that an applicant who comes first will be granted the spectrum first so it had resulted in grant of licence on First-Come-First-Served basis.

- (ii) The Committee have been informed that since introduction of UAS licensing regime in 2003, 51 new UAS licenses have been issued till March, 2007 based on the policy of continuous award on First-Come-First-Served (FCFS) and spectrum was also allocated based on FCFS basis under a separate Wireless Operating License, subject to availability. On 13.04.2007, a reference was made to TRAI stating that the policy on Unified Access Service Licensing was finalised in November, 2003 based on the recommendations of TRAI and 159 licenses have been issued so far for providing Access Services (CMTS/UASL/Basic) in the country with 5-8 Access Service providers in each service area.
- (iii) TRAI revisited the issue of new licences, allocation of spectrum, entry fee, spectrum charges etc. through a open consultation process with all the stakeholders and made recommendation on 28.08.2007. One of the recommendations was that no cap be placed on the number of access service providers in any service area. The allocation of spectrum is after the payment of entry fee and grant of license. The entry fee as it exists today is, in fact, a result of the price discovered through a market based mechanism applicable for the grant of license to the 4th cellular operator.
- (iv) The recommendation of TRAI was accepted by the Government in October, 2007 after due deliberation. Prior to reference to TRAI, applications were being processed on continuous basis. However, because of the above-mentioned reference to TRAI, several applications for UASL were kept pending for want of TRAI recommendations. It was observed that there has been a spurt in the number of applications received by DoT for grant of UAS licenses after receipt of TRAI recommendations dated 28.08.2008. Therefore, on 24.09.2007, a cut-off date was announced as 01.10.2007 stating that no new UASL application will be received after this cut-off date, *i.e.* 01.10.2007, from

46 applicant companies in respect of 22 service areas in the country. In view of the volume of applications, it was decided to issue Letter of Intent (LOIs) to all eligible applicants for UASL who applied upto 25.09.2007 in each service area. With the appropriate decision by the competent authority, so far 17 eligible applicant companies have been issued 122 UAS licences out of 232 UASL applications received upto 25.09.2007 from 22 different companies.

97. Regarding the information for awarding of licences for Unified Access Services for M/s. Swan Telecom Pvt. Ltd. And M/s. Unitech Wireless Companies, the Committee have been informed by the Department as under:—

“M/s. Swan Telecom Pvt. Ltd. And M/s. Unitech Wireless Companies were awarded Licenses for Unified Access Services for 13 and 22 service areas respectively in February-March 2008. *Vide* letter dated 04.11.2008 M/s. Swan Telecom Pvt. Ltd. and *vide* letter dated 04.11.2008 M/s. Unitech Wireless have informed DOT that they have entered into agreement with foreign companies namely, Etisalat and Telenor respectively for infusion of equity capital into the company for rolling out the Telecom network in the licensed service areas. Both these companies have categorically mentioned that the investment brought in by their foreign partners would be used for rolling out the services and this could enhance their capital base keeping the absolute shareholding of the promoters intact. It is a normal practice in the corporate world to bring investment into the company for rolling out or expansion of business.

However to deny any out-right sale of equity by the promoters, the issue relating to lock-in-period for sale of promoter's equity of the UAS licensee company was under consideration of the DOT and the recommendations of Telecom Regulatory Authority of India (TRAI) were also sought on 24.11.2009 which was received on 12.03.2009. accordingly, Government on 23.07.2009 issued amendments to UAS Licence agreements that there shall be a Lock-in-period for sale of equity of the UAS licensee company for a period of three years from the effective date of the licence or till fulfilment of all the rollout obligations, whichever is earlier, subject to certain other conditions.”

98. Clarifying the position further on SWAN and UNITECH, the representatives of the Department during evidence stated as under:—

“As far as the SWAN and UNITECH are concerned about which you had asked, this subscriber based criteria comes into existence

only for additional spectrum if you get beyond 4.4 megahertz. None of these two companies have been given beyond 4.4 MHz. So, that question does not arise.”

99. The Committee have been apprised that the issue regarding recent allocation of spectrum are presently *sub-judice* before the Hon’ble High Court of Delhi in writ petition No. 7815/2008 in the matter of Dr. Arvind Gupta Vs Union of India & Others. The Committee have also been informed that on 22.10.2009 CBI has taken a few files related to the allotment of 2G spectrum.

100. With regard to the future allocation of spectrum, the representatives of the Department during the evidence stated as under:—

“Sir, the TRAI has already released a consultation paper. They are talking to the industry, they are talking to the other experts, market and they will make a recommendation in a holistic manner as to how new allocations will be made and also at what price and in which manner. They are the expert body and they are the regulatory of the telecom sector and further whatever you are asking for future, based on the TRAI recommendations we will take some decision on these issues. We are examining all these issues which you have kindly mentioned in a holistic manner and assessing the situations in the market also.”

Allocation of 3G Spectrum

101. The Committee in their 28th Report (Fourteenth Lok Sabha) relating to “Spectrum Management” had observed that without major reworking of the Defence networks and applications involving major spectral and financial compensation and alternate spectrum, it may be very difficult on the part of Defence to release additional spectrum. They, therefore, have recommended that Department of Telecommunication should take up the matter at the appropriate level with a sense of utmost urgency for giving financial and spectral compensation to Ministry of Defence. The Committee in their 36th Report on Action taken on 28th Report had again reiterated the issue and had urged DoT to take up the matter at appropriate forum instead of pondering over the issue of ‘compensation’ or ‘support’, so that Ministry of Defence are soon able to vacate additional spectrum for further expansion of GSM and CDMA cellular services.

102. The Committee have now been informed that Ministry of Defence have already released 10 MHz in 3G and 5+5 MHz in 2G as per the terms of MoU above. As regards the vacation of remaining

spectrum, the Department has stated that it is related to the progress and other triggers provision of the OFC alternate network project for Defence services.

103. In response to the query regarding the latest position of auctioning of 3G spectrum, the Department have stated that during the meeting held on 27.8.2009 the Empowered Group of Ministers (EGoM) have decided to auction 4 blocks 2x5 MHz of 3G spectrum in 2.1 GHz band, in telecom circles where more than 25 MHz of spectrum is available and auction all available blocks in telecom circles where less than 25 MHz of spectrum is available. As regards the timeline for auctioning of 3G spectrum, the Department has provided a chart indicating the preparation for 3G auction. As per the chart the release of revised information Memorandum was to be completed by 29.09.2009. *The deadline for submission of questions for pre-bid conference was to be completed by 08.10.2009.* For the pre-bid conference the timeline given was 12.10.2009. Regarding issue of clarification and notice inviting applications the timeline given were 22nd and 26th October, 2009.

104. When asked whether the aforesaid stage of auction has been completed as per schedule, the Department subsequently stated that a revised timeline was issued on 23.10.2009 alongwith the revised timeline. *The revise schedule is given as follows:*

| Indicative Timetable | | Dates |
|---|--|-------------------------|
| 1 | | 2 |
| Deadline for submission of questions for pre-bid conference | | 13.11.2009 |
| Pre-bid conference | | 16.11.2009 |
| Issue of clarifications, if any | | 27.11.2009 |
| Notice inviting Applications* | | 08.12.2009* |
| Final date for Applications | | 21.12.2009 |
| Publication of ownership details of Applicant | | 24.12.2009 |
| Bidder Ownership Compliance Certificate | | 04.01.2010 |
| Pre-qualification of Bidders | | 07.01.2010 |
| Mock Auction | | 11.01.2010 & 12.01.2010 |
| Start of 3G Auction | | 14.01.2010 |

| 1 | 2 |
|---|--|
| Start of the 800 MHz and BWA Auctions | 2 days from the day of close of the 3G Auction |
| Payment of Bid Deposit by Successful Bidders | Within 5 calendar days of the close of the relevant Auction |
| Payment of the balance amount (Successful Bid Amount less Bid Deposit) | Within 15 calendar days of the close of the relevant Auction |

***Note:** Any changes in the Auction Timelines have been communicated to prospective bidders through the DoT/Auction website. Participants are requested to monitor the Auctions website actively.

105. When asked whether the Ministry of Defence have finally agreed to vacate the spare spectrum, the Department in their written reply stated that Ministry of Defence have already released 10 MHz in 3G and 5+5 MHz in 2G as per the terms of MoU signed between Ministry of Communications and Information Technology and Ministry of Defence. As regards the vacation of remaining spectrum, it is linked to the progress and other triggers provision of the OFC alternate network project for Defence services.

106. Enquired whether the decision has been taken with regard to the reserved price of auction of spectrum, the Department stated EGoM on in its meeting held on 27/8/2009 has decided that PAN India reserve price of 3G spectrum would be Rs. 3500 crores per one block of 2X5 MHz of 3G Spectrum in 2.1GHz band. This has been notified by DoT in the revised information memorandum published on 23.10.2009.

XII. BHARAT SANCHAR NIGAM LIMITED (BSNL)

107. In pursuance of the New Telecom Policy 1999, the Government of India corporatised the service providing functions of the Department of Telecommunications (DoT) and transferred the business of providing telecom services in the country to the newly formed company viz. Bharat Sanchar Nigam Ltd *w.e.f.* 1st October 2000. The vision of BSNL is to provide world-class telecom services ranging from plain telephone service to all types of value added services at affordable prices.

(i) Financial Outlay and Utilisation

108. As regards the financial targets and achievements of BSNL during the Tenth Plan period, the following information was furnished to the Committee:—

(Rs. in crore)

| Year | Target (RE) | Achievement |
|--------------------|-------------|-------------|
| 2002-2003 | 11,098 | 12,057 |
| 2003-2004 | 10,607 | 6537 |
| 2004-2005 | 6,636 | 7578 |
| 2005-2006 | 15,463 | 6838 |
| 2006-2007 | 15,349 | 5705 |
| Total (Tenth Plan) | 59,153 | 38,715 |

109. Similarly, year-wise financial targets for the Eleventh Plan period and achievement for the year 2007-2008 were stated to be as follows:—

(Rs. in crore)

| Year | Outlay approved/ proposed in XI Plan | Achievement with respect to RE |
|---------|---|--|
| 2007-08 | 22881.00 14065.00 (RE) | 7239.43 |
| 2008-09 | 18591.00 17891.00 (RE) | 10876 |
| 2009-10 | 14015.00 | 3115.71 (w.r.t. BE upto July, 2009) |

110. In the above context, the Committee probed about the reasons of huge shortfalls in expenditure during the first two years of Eleventh Plan. In response, the following reasons were given as under:

- (i) Budgeting: The development plan are prepared keeping in view the target set and expansion taking place in Telecom field. The provision under BE/RE is made as per rate obtained in previous tenders.

- (ii) Procurement of equipment/material: Being a Government owned company, even though transparent procedures are followed, yet in some cases bidder approach court which has taken place in case of tender for procurement of 2G/3G IMPCS Equipment during the year 2007-08, thereby delaying the procurement process resulting in less expenditure.
- (iii) Reduction in prices: There was downward trend in the price of telecom equipment, which has substantial electronic component, resulting in reduction in expenditure.
- (iv) Rate quoted in tenders: The suppliers are quoting rates with very low margin — *i.e.* forward bidding. Thus they are facing cash flow problem/resources crunch which adversely affect their supply of equipment/material and role out of network of BSNL. Naturally, it results in reduced payment to suppliers/contractors. This has also contributed to less expenditure.

111. Regarding the shortfall in the expenditure by BSNL, during the course of evidence, the representatives of BSNL explained the reasons to the Committee as under:—

“As far as BSNL is concerned, I will take up these three issues one by one. The first is about the shortfall in the expenditure as against the budgeted amount. As you have said, last year, the expenditure was 60.79 per cent of the outlay. One reason, of course, was the procurement of the mobile equipment was delayed because of some court case which led to the shortfall. The second reason, of course, was that when we Budget the initial thing, when the cost comes down, which is the trend, actually the expenditure becomes somewhat less. So, these were the reasons. But I can tell you that last year’s expenditure was Rs. 10,876 crore which was 50 per cent higher than the previous year. There has been a significant improvement over the previous year. We hope, this year, we should be achieving the target which has been budgeted. There has been a constant improvement though, I agree, there has been a significant shortfall on that account.”

112. Regarding the measures that are being taken to ensure optimum utilization of fund by BSNL, the Committee have been informed as follows:—

- (i) Change in procurement policy related to Pricing Formula; Vendors tie up; Fixing of ‘Block of Three Years’ for procurement etc. to curb the delay in procurement of equipment.

- (ii) Resorting to strict and tight schedule for timely availability of equipment.
- (iii) Periodical monitoring of implementation of all major projects *vis-a-vis* achievement of targets.

(ii) Physical targets and achievements

113. The Committee have been informed that as on 31st March, 2009, the achievement of physical targets earmarked during 2008-09 has been encouraging on the part of BSNL in almost all the schemes, except Internet and Trunk Automatic Exchange (TAX). The percentage of achievement under the Internet, DELs and TAX were only 34 per cent, 34.60 per cent and 12.33 per cent respectively. In this regard, the Department have informed that the reason for shortfall in the achievement regarding Internet connection was due to switching over of many customers to broadband service. For TAX capacity, it was mainly due to orders issued by BSNL for IP TAX equipment which were not accepted by the vendors. For DELs the reason for shortfall in telephone connections was due to surrender of wireline telephone connections including disconnection due to non-payment and delay in supply & commissioning of WLL equipment by ITI.

114. When asked to give the anticipated achievement of the schemes carried out by BSNL by the end of the 2009-10 fiscal. In reply, it was stated as under:—

“The anticipated achievement in each of the above schemes by the end of the 2009-10 are in accordance with the targets set and are given below.

| Scheme | Targets | Anticipated Achievement |
|-----------------------------------|-------------------------|-------------------------|
| GSM mobile connection | 180.00 lakh connections | 180.00 lakh connections |
| Fixed (WLL & Wireline) connection | -15.00 lakh connections | -15.00 lakh connections |
| Broadband connection | 25.00 lakh connections | 25.00 lakh connections |
| Optical fibre cable | 25000 RKms | 25000 RKms |
| TAX Capacity | 1000 KC | 1000 KC” |

(iii) Outstanding arrears

115. The Committee have been informed that as on 31.03.2009 there were outstanding arrears with respect to CMTs is to the tune of

Rs. 672.88 crores and Rs. 3466.12 crores as an outstanding amount on Basic Services.

116. The outstanding of irrecoverable arrears with respect to Cellular Phones which have been written off in 287603 old cases by different Circles stood at Rs. 17.61 crore. For Basic Services during 2008-09 the outstanding irrecoverable arrears were Rs. 641.05 crores. In this regard, 6586987 old cases have been written off by different Circles.

117. Taking into consideration the huge outstanding amount still pending, the Committee desired to know about the additional measures which have been taken to recover during the year 2009-10. In their reply, the Department informed that following steps have been taken by BSNL:—

- (i) Scheme for appointment of Private Recovery Agents for recovery of outstanding dues has been introduced.
- (ii) Graded discount scheme regarding grant of discount to defaulting customers, for clearance of old outstanding dues has been introduced.
- (iii) Incentive scheme to employees of BSNL for recovery of outstanding arrears from defaulters was also in existence.
- (iv) 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.
- (v) Circle-wise and year-wise target for liquidation of outstanding dues were fixed to get the maximum realization
- (vi) Heads of Circles have been authorized to Appoint Private Recovery agents on commission basis to assist BSNL in recovery of outstanding revenue. Circles have also been asked to utilize the services of State Government Departments in recovery of outstanding dues.
- (vii) Procedure for settlement of defaulter cases through Lok Adalat has been introduced for recovery of outstanding telephone dues in respect of permanently closed connections.

(iv) Surrender of Telephones

118. The Committee have been informed that during 2007-08, the total number of Wireline surrendered stood at 4,409,718. The total

WLL phones that have been surrendered was 721,613 and that of the Mobile phones was 4,942,039. During the year 2008-09 the total number of Wireline surrendered was 4,313,181. The WLL phones that were surrendered stood at 924,650 and that of the Mobile phones at 7,378,137.

119. Taking into consideration that subscriber's preference to Mobile phones has always been cited as one of the main reasons for surrender of BSNL landline phones, the Committee asked the Department to state the specific reasons for such large scale surrender of BSNL's WLL and Cellular Mobile phones. In reply, it was stated that in case of Cellular phones the surrender of mobile connections is not specific to BSNL but for all the service providers of varying degree. However, as per BSNL following are the probable reasons (i) Entry of new service providers in the existing license area with aggressive tariff plans, and (ii) Aggressive marketing of services by the operators at different points of time. Regarding the WLL surrender is due to the choice of customers to take fully mobile connection, which is now spreading in areas where WLL phone was the only option earlier.

120. The representatives of BSNL during the evidence further elaborated as under:—

“The other point is about surrender of telephones. The main reason, of course, is, for the land line, there is a negative growth which is basically because of the preference of the people for the mobile because of the convenience. To address that issue, what we are doing is that on the land line itself, we are trying to see that we provide more and more facilities to the customer. Instead of putting a plain telephone, we have started providing a caller line identification presentation where the customer can have the display of the number calling. We have provided the SMS facility. So, the value added terminal phone is being provided. We are also introducing the value added service on the land line like ring back tone which is available on the mobile. We have introduced it on the fixed line network also. That facility of ring back tone in the wire-line phone is also there.”

121. When asked to state the measures which are being taken to ensure that BSNL's mobile customer base does not erode at a faster rate as happened in case of landline telephones, in their reply, it was stated that the following measures are being taken to arrest the churning of the subscribers (i) Matching and innovative tariff plans and other subscriber friendly schemes are being launched by BSNL,

(ii) Constant monitoring of network to improve the Quality of Service, (iii) Launching of new services and bundling schemes in the network for retention of the subscribers, and (iv) Improving mobile coverage by expansion of existing network and covering the new areas.

(v) Quality of Service

122. Regarding the specific action which is being taken by BSNL in providing quality telephone services to its customers in Wired, WLL and CMT services as well as in Internet and Broadband services, the Committee have been informed that GSM and WLL Service of BSNL are working satisfactorily in its Licensed Service Areas and are, in general, meeting the Quality of Service (QoS) parameters prescribed by TRAI (Telecom Regulatory Authority of India). Monitoring of the network has also been strengthened to ensure performance as per the Quality of Service parameters prescribed by TRAI. BSNL is also optimizing its network continuously in its performance. BSNL is also augmenting its mobile network progressively so as to enhance coverage, capacity and to further improve the QoS. Broadband and internet services of BSNL are also meeting most of the benchmarks prescribed by TRAI except, marginally, in a few circles on some parameters. BSNL is continuously optimizing its network for better performance. The following steps have been taken/planned for further improvement in QoS in respect of Basic Services: (i) Monitoring of QoS to maintain service quality as per TRAI Standards, (ii) Introduction of new IP (Internet Protocol) based switches in phased manner, (iii) Pole less activity in out door network by replacing drop wire with 5 Pair Cable, (iv) Interactive Voice Response System (IVRS) based Centralized Fault Booking System, and (v) Rehabilitation of External Plant by dressing MDFs, Pillars and DPs and replacing of life expired telephone Instruments.

123. When asked about the innovating marketing strategy taken by BSNL to augment their customer base in all segments *vis-a-vis* the private players, the Department informed that BSNL has empanelled four Professional Media agencies for adopting innovating marketing for building the brand as well as services/products through advertisements Electronic media TV Channels. An aggressive TV campaign is being carried out not only to increase the visibility of brand/products through Brand Ambassadors namely Ms. Deepika Padakone and Mr. Abhinav Bindra (the sole Olympic gold medalist 2008). Further to this tactical marketing is also deployed as and when the circumstances demanded to meet the competition from the Private operators. This has resulted in the increase in mobile customers to

5.2 crore as in August, 2009, Broadband service to approximately more than 39 lakhs. A pilot project through 3G Experience Center was launched in the month of July, 2009 in 14 Cities where 3G services are available has increased the customer base from less than Five thousand since the commercial launch *i.e.* 27th February, 2009 to more than Fifty Six thousand. A plan for BSNL shop at the PCO is also being undertaken for not only arresting the fall of PCO's but also to provide all other services to the customer. The above marketing strategy is based on present as well as futuristic vision; however its effect is felt after some time. Presently BSNL is adding approximately more than one million mobile connections per month and has almost 57 per cent market share in Broadband. Recent 3G introduction in 130 cities the customer base is picking up and has presently 56,000 customers at present. In addition to the above the conventional image of Landline provider is altogether being changed to BSNL being complete Telecom solution provider. Corporate clients *viz.* SBI, ONGC, NTPC, OIL, CBI, BHEL, L&T, NHPC, Indian Army, MCX, British Telecom, ICICI Bank, Axis Bank, Sundaram Finance, TCL and many Govt./private educational institutions etc. etc. are some of our esteemed clients.

124. When enquired whether there is any mechanism to get the feedback from the customers about the quality of service provided, the Department apprised the Committee that Customer feedback on Quality of Service is taken through Call Centers wherein subscribers log complaints/gives suggestions and inputs. The feedback from Call Centers is received on continuous basis. Based on the inputs received corrective action for improvement is taken by BSNL. The Quality of Service provided by BSNL is reviewed by field units continuously and by BSNL Corporate Office on monthly basis.

125. Regarding the specific initiatives being taken to capture the rural market, the Department informed about the initiatives being taken as detailed below:

- (i) all rural exchanges are planned to be provided with broadband facility,
- (ii) the value of landline is further planned to be enhanced through fixed mobile convergence whereby mobile customer can leverage the existing landline infrastructure for making the voice calls,
- (iii) 256 C-DOT Rural Automatic Exchanges (RAXS) are being converted into AN RAXS. Single Base Module (SBMs) exchanges are being converted into Remote Switching Units (RSUs),

- (iv) BSNL is providing connections through FWT on WLL in rural areas where connection is not feasible on wire line,
- (v) Village Public Telephones (VPTs) are being provided through DSPT (Digital Satellite Phone Terminal) *via* satellite,
- (vi) creation of pole-less network to reduce fault rate, and
- (vii) provision of centralized complaint booking system at SDCC (Short Distance Charging Centre).

(vi) Waiting List

126. As on 31.03.2009 as many as 2,23,238 were in the queue to get landline telephones. Similarly, as on the same date there was a waiting list of 54,958 WLL connections. In this regard, the Department have informed the Committee that waiting list for land line & WLL connections, are 80.31% and 78.60% respectively. Further, it has been stated that the generation of waiting list is a continuous process as new registration for telephone connections are added every month to the waiting list. The pending waiting list is mostly in rural/remote areas which are technically not feasible. However, BSNL plans to clear the pending waiting list on any of the existing technology (*i.e.* Wire line, WLL or Mobile) by the end of this financial year.

(vii) Some of the Schemes/Projects under BSNL

127. **Cellular Mobile and WLL:** BSNL launched its country wide GSM based Cellular Mobile Services on 19.10.2002. This service is available in all the District Headquarters and is being extended to more and more cities/towns and in rural areas in the country. Till May 2009, 481.97 lakh connections have been provisioned in nearly 19,870 cities of the country. 3G services were commercially launched on 27th February 2009 and are currently available in about 90 cities. It is being gradually expanded to other cities in the country.

XIV. MAHANAGAR TELEPHONE NIGAM LIMITED (MTNL)

128. Mahanagar Telephone Nigam Limited (MTNL) was incorporated on February 28, 1986 under the Companies Act as a wholly owned Government Company and on April, 01, 1986, assumed responsibility for the control, management, operation of the telecommunications Networks in Delhi & Mumbai. MTNL is the principal provider of fixed-line telecommunication service in these two Metropolitan Cities of Delhi and Mumbai and the jurisdiction of Company comprises the city of Delhi and the areas falling under the

Mumbai Municipal Corporation, New Mumbai Corporation and Thane Municipal Corporation. MTNL under a license issued on Feb. 2001 is also providing GSM based cellular services in both the metropolitan cities of Delhi (including the cities of Gurgaon, Faridabad, Ghaziabad and Noida) and Mumbai (including Kalyan as well).

(i) Financial Targets & Achievements

129. The Committee were informed that out of the Tenth Plan outlay of Rs. 11955.46 crore, the actual expenditure incurred by MTNL during the entire Plan period was Rs. 4302.27 crore only.

130. The total Outlay for MTNL for the Eleventh Plan is projected at Rs. 8576.31 crore. It has also been observed that during the second year of the Eleventh Plan period *i.e.* 2008-09 the BE of Rs. 2430 crore was reduced to Rs. 1304.28 crore at RE stage. The actuals as on 31st March, 2009 has been Rs. 1087.60 crore *i.e.* only 60.79 per cent. The 2009-10 fiscal provides for an Outlay of Rs. 1725.02 crore and upto July, 2009 an outlay of Rs. 181.76 crore has been spent *i.e.* 10.54 per cent.

131. When asked about the lessons learnt by MTNL from the dismal performance in utilising the approved Outlays of the first two years of Eleventh Plan period and the corrective measures that are being taken by the Company for fuller utilisation of the earmarked fund specially for 2009-10, the Department have informed the Committee that in the telecom sector where technology is changing very fast and becoming obsolete, it is very difficult to forecast the requirements well in advance and therefore, some changes in the plan are inevitable. However, MTNL is drafting its annual plan taking into consideration the experience it had gained during the previous years. Meetings are being held with the units to review the progress of the ongoing projects. Further the status of the new/upcoming projects to be taken up during the next year, are reviewed and the funds are allocated based on the expenditure likely to be booked under various heads. MTNL expects that it shall be able to optimally utilize the current year outlay.

(ii) Surrender of Telephones

132. The Committee have now been informed that the net landline connections in Delhi and Mumbai during the year 2008-09 were — 45993 and 66,118 respectively as on 31.03.2009. As on the same date the net mobile connection have been shown as 4,40,056 and 4,94,769 in Delhi and Mumbai respectively out of the corresponding gross

connection of 5,35,980 and 5,21,517. The Committee have also been informed that 95,924 and 26,748 Dolphin connections in Delhi and Mumbai were surrendered during the year 2008-09. It has also been stated that the number of new connections overshadowed the surrender resulting in positive growth in cellular subscribers.

133. When asked as to why the landline connection in Delhi and Mumbai have plummeted to an all time low, the Committee have been informed that the reasons for the surrender of landlines are (i) in landline connections, 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 worldwide trend that when liberalization takes place and monopoly is removed in telecom sector there is a churn in fixed line subscribers. The Committee have also been informed that the main reasons for the negative growth of fixed line phones are as follows: (i) Closure of office/company, (ii) Shifting of office/company /residence, (iii) poaching of MTNL subscribers by its competitors, (iv) additional telephone connection, (v) closure due to non payment of telephone bills, (vi) economic reasons, and (vii) shift to mobile phones.

134. Regarding the innovative measures that are being taken/ proposed to be taken to attract landline customers besides retaining the existing ones, the Department have informed the Committee as under:-

“Present day fixed line network does not support many value added services like video call etc. whereas the same are available in the GSM. This is one of the reasons for the subscribers for shifting from fixed line to mobile services. Measures planned: MTNL is planning to introduce Class V NGN/IMS based services in its network which will enable it to provide all the various types of values added services. With the introduction of IMS based fixed line network MTNL expects to arrest some of the decline in the fixed line. Innovative steps already taken (i) introduction of new and attractive tariff plans, (ii) increase in penetration of Broadband on ADSL 2+ technology and offering triple play services (voice, data & IPTV) thereby making fixed line services more attractive, (iii) brining Delhi and Mumbai under local calls, (iv) in addition to above, MTNL is also exploring the provisioning of various new value added services like CRBT on fixed lines, (v) offering various combo packages at attractive prices to increase popularity of various products of MTNL, and (vi) offer free services as add on to existing services *e.g.* a second free landline to add on to existing landline.”

135. Regarding the efforts which are being taken to check the huge mobile surrender, the Committee have been informed that following steps have been taken by the Company:

- (i) New 3G services is being launched and more than 70,000 customers are also added.
- (ii) Customer friendly tariff plans are being introduced.
- (iii) Number of new value added services are being introduced at par with our competitors.
- (iv) Emphasis has been given on the improvement of the quality of service by installing additional BTSs to improve network coverage.
- (v) Stress has been given on the redressal of the subscriber's complaints by increasing number of positions in Customer Care Centre, providing single window at the Sanchar Haats.
- (vi) Sanchar Haat helpline is installed so as to provide quick and efficient complaint resolution for the customers visiting at the Sanchar Haats.
- (vii) Close monitoring of faults is being maintained.

(iii) Quality of Services

136. With regard to the Steps taken by MTNL to redress the complaints regarding the quality of service, the Committee have been informed that the following steps have been taken by MTNL:

- (i) Improving the legacy PSTN Network by change of cables, drop wire etc. as required;
- (ii) All exchanges have been made Digital to improve service quality;
- (iii) Rehabilitation of outdoor n/w is being done on continuous basis to reduce fault rate and MTTR;
- (iv) New RSUs/ DLCs are being provided to reduce faults;
- (v) Quality of Service (QoS) improvement is a continuous process. In cellular network, measures like BTSs addition, capacity augmentation and upgradation, antenna tilting, optimization of network and drive test are undertaken on a continuous basis by MTNL to improve the mobile services;
- (vi) The GSM network in MTNL Delhi & Mumbai has been expanded by 750K lines along with 111 BTS (in Delhi) & 57 BTS (in Mumbai) during 2008-09. GSM capacity of 500K lines is under installation each at Delhi & Mumbai to provide congestion free service;
- (vii) Additional 200 GSM towers in Delhi & 291 GSM towers in Mumbai are purposed to be installed during 2009-10 to provide better coverage;
- (viii) MTNL has planned to commission Convergent billing & CRM. This system will provide one bill for all services to a subscriber. The system will

also address customer request of services, tariff, complaint resolution etc; and (ix) MTNL is also taking care of its customers by opening Sanchar Haat, customer service centre, appointment of Dealers & Agent & special care of Corporate Customers.

(iv) Outstanding arrears

137. The Committee have been informed that the outstanding arrears of MTNL as on 31st March, 2009 was Rs. 1173.73 crore. There has been a decline in the outstanding arrears. It was Rs. 1286.21 crore in 2005 but it has reduced to Rs. 1188.62 crore in 2008 and further to Rs. 1173.73 crore in 2009. The break up being Rs. 890.85 crore for basic services, Rs. 105.31 crore for CDMA and Rs. 177.57 crore for GSM. The Committee have been informed about the following policies and actions taken to reduce the outstanding arrears: (i) Strong monitoring of outstanding dues at the corporate level and at the units Head Quarter level as well as in the areas, (ii) Recovery agents are employed for making recoveries, (iii) A Revenue Assurance program is also being 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, (iv) A drive has been initiated to settle the outstanding of disconnected numbers by adjusting their Security Deposits against their outstanding bills, (v) Convergent Billing System is being introduced for achieving further control on Revenue Assurance and realization of outstanding dues, (vi) Automated telephonic reminders are sent to subscribers who default in making payments of their bills, (vii) Additionally, the external Recovery Agents are also appointed to strengthen the recovery process, and (viii) Legal notice is also issued, if there is no response to the notice issued by AO (TR).

138. The Committee have also been informed that because of the shrinking business avenues in its service area, MTNL is exploring the option of expanding its service areas in overseas by acquisitions or by forming joint ventures etc. It has been stated that during the finalization of the Annual Plan 2008-09 ambitious targets were kept for the expansion in new services areas like overseas acquisitions and laying of submarine cable.

139. Taking into consideration that the Department have admitted that there is a shrinking business avenues for MTNL in its service areas, the Committee desired to know as to how the Department would justify the mission for expansion in new service areas like overseas acquisitions and laying of submarine cable would be a

successful venture, the Department explained in their written reply as under:—

“The total tele-density in service area of MTNL *i.e.* Delhi & Mumbai has surpassed 150% leaving little opportunity for growth. Further MTNL service area is facing fierce competition as seven operators each in Delhi and Mumbai are fighting for their market share. New operator to acquire market share, are resorting to low pricing strategy forcing existing operators also to follow the suit. As a result of stiff competition the ARPU is decreasing continuously affecting top-line as well as bottom-line of each operators. Though through introduction of Value Added services, efforts are being made to earn extra revenue but it is not enough to off-set decline in revenue due to decreasing tariff. In order to sustain its growth MTNL has been looking for growth opportunities in overseas market like African region, Gulf & CIS countries and other under-developed market. The tele-density in these markets is low, tariffs are high and offer high growth opportunities. Therefore, acquisition of business in such countries offers a good business opportunity for MTNL to improve its financial performance. As business acquisition in overseas market is based on bidding system, hence uncertainty is always there in acquisition efforts becoming successful. MTNL continuously keep on scouting for right business opportunities for its growth and expansion.”

(v) New Projects — under MTNL

(a) GSM Cellular Services

140. To meet the growing demand of MTNL cellular service, GSM capacity in Delhi and Mumbai was planned to be further expanded by 2 million each (including 750K line 2G). Out of this, 1000K (750K 2G & 250K 3G) GSM capacity has already been commissioned in Delhi and Mumbai each. Remaining 1000K 2G/3G GSM capacity in Delhi and Mumbai in under installation.

141. In the above context, the Committee desired to know the present position of installation of 1000K 2G/3G GSM capacity in Delhi and Mumbai. The Department in their reply have apprised the Committee that in Delhi as on 31st August 2009, 334 nos. of Node-Bs has already been installed & radiating. The 1000K core equipments has also been installed and under acceptance testing. Project is expected to be completed by 01.12.09 and in Mumbai as on 31st August 2009, 187 nos. of Node-Bs has already been installed &

radiating. The 1000K core equipments are under installation. Project is expected to be completed by 31.10.09.

(b) Convergent Billing

142. As apprised to the Committee a state-of-the-art convergent billing and CRM system is under installation under MTNL. This will facilitate CDR based billing, single bill for all services to the, flexibility in billing and innovative tariff packages for subscribers and thus will help in reducing billing complaints. Presently the printing of bills and IUC billing in Delhi is being done on converged billing platform. Interconnect billing (with offline data), printing solution, and Call centre for CDMA & BB have also been commissioned. The Committee have been informed that the convergent billing system is under active testing phase.

143. Enquired about the status of installation of state-of-the-art convergent billing and CRM system, the Department in their reply stated that hardware/software for all Line of Business (LOBs) *i.e.* GSM, CDMA, Broadband, PSTN and Leased Circuits has already been installed. Interconnect Usage Charges (IUCs) and Bill printing solution has already been commissioned. The CDMA LOB (both Postpaid & Prepaid) for Delhi shall be put into service for parallel run from 30.9.2009 and GSM LOB (both postpaid & prepaid) for Mumbai shall be put into service for parallel run from 31.10.2009 and after successful parallel run, these systems will be deemed to be commissioned and the other LOBs shall be commissioned subsequently.

(c) Wi-MAX

144. MTNL had been allotted 20 MHz of spectrum each in Delhi and Mumbai for providing Wi-Max services. Earlier in order to assess the technology, MTNL had conducted a trial of Wi-Max services in both Delhi and Mumbai. An EOI is being finalized and will be floated shortly.

145. When enquired about the status of providing 20 MHz of spectrum each in Delhi and Mumbai for providing Wi-Max services and its impact, the Department informed the Committee that MTNL have already been allotted 20 MHz of spectrum in 2.5 GHz band, each in Delhi and Mumbai on 08.08.2008 for providing Wi-Max services. So far, MTNL has only conducted the trials of Wi-Max services in Delhi and Mumbai. For commercial deployment of Wi-Max services based on IEEE 802.16e standard, MTNL has already floated an EOI on 06.08.09. The actual impact will be known only after commercialization of services.

(d) *FTTH*

146. MTNL is further adding optical fibre in its access network and is planning to introduce FTTH based on GPON so as to provide all of its important customers with fibre connectivity to their homes. This will help in meeting their increased bandwidth requirement for both data and video applications. The tenders for GPON based passive and active equipment for FTTH have been floated. Clarifications to the prospective vendors for both the tenders will be issued shortly.

147. With regard to the status of introduction of FTTH based on GPON to provide all of its important customers with fibre connectivity, the Committee have been informed that the techno commercial bids for GPON active and passive equipment have been opened and evaluation process for the same is in progress.

XV. INDIAN TELEPHONE INDUSTRIES LIMITED

148. ITI Limited was established in July, 1948 as a Departmental Undertaking of the Government of India and was converted into a Company in January, 1950. It is the first Public Sector Undertaking to be set up by the Government of India. The Company has grown into country's largest telecom company with state-of-the-art manufacturing facilities spread across six manufacturing units located at Bangalore, Naini, Rae Bareli, Srinagar, Palakkad & Mankapur. In addition Network System Unit with headquarters at Bangalore provides value-added services like Radio Paging, VSAT, etc. and there are 10 Regional Offices. In tune with the technology trend, it has embarked on the manufacture of GSM and CDMA infrastructure equipment. ITI's strength lies in the strategic area of communications for Defence and the same has been epitomized by the prestigious ASCON project. By deploying its vast telecom expertise and infrastructure, the Company is consolidating its diversification into IT and IT-enabled services, acquiring keen competitive edge in the convergence market. Major Customers of ITI products are BSNL and MTNL. ITI is also supplying Telecom Products to Railways, Defence and Corporate Sectors. ITI is also making all out efforts to become a key player in the global market and continue its exports efforts in Afghanistan, Africa and SAARC countries.

149. The Committee have been informed that in BE 2008-09, barring a provision of Rs. 6.50 crore as compensation to ITI, no Outlay have been earmarked for ITI for either Plan or non-Plan purpose. In the financial year, 2009-10 B.E. a sum of Rs. 2820.00 crore has been provisioned in the non-Plan budget for financial restructuring as a

part of revival of ITI. The Union Cabinet has approved that to enable ITI to compete in the highly competitive market and high obsolescence era with changing technology and short product life, liabilities of ITI to the tune of Rs. 2820 crore, be discharged by Government to clean up the ITI balance sheet. Token budgetary support of Rs. 1 crore has been provided under Plan for the year 2009-10.

150. When enquired about the latest reservation of Orders policy of DoT with ITI and whether ITI has been able to timely honour such order placements, the Department in their reply stated as under:—

“ITI is receiving Reservation Quota (RQ) orders of 30 per cent from Customer *viz.* BSNL/MTNL. The Reservation of orders are not only helping ITI in gainfully utilizing the capacity established for manufacturing, but are also beneficial to the customer in the following manner. ITI has been receiving orders under RQ 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 much before the actual finalisation of the tender. ITI receives the order with provisional pricing which are regulated later with the prices of the L1 bidder. ITI acts as a balancing force against probable cartelization by other vendors. ITI has always supported the customer in the hours of need at no extra cost and offers assured after sales services with minimum repair and return time. 30% RQ has immensely helped BSNL & MTNL in their procurement process as they start getting the equipments ahead of their 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 schedules in some cases were mainly due to (i) Severe financial crunch and lack of working capital for production, (ii) Business not viable in view of L1 price offer. ITI hopes to overcome from the above problems for future supplies as the revival package granted by the Government is expected to improve the financial position of the company. Also, now DOT has permitted ITI to accept RQ orders if the same is commercially viable.”

151. Asked to state the measures that are being taken by ITI to upgrade the existing infrastructure and to diversify the product range to cater to the requirement of the new telecom environment the Department informed the Committee that ITI is making all out efforts to diversify its product range and has plans for diversification into

the following areas (i) Artillery Fuses for Defence, (ii) Electronic Warfare and Tactical Communication Services, (iii) Contract Manufacturing services, MMS, EMS, (iv) Managing Services of BSNL/ MTNL on revenue sharing basis, (v) Manufacture of Low Cost High Volume Customer Premises Equipment for ADSL & Wi-MAX, Manufacture of CLIP Phones, (vi) Banking Automation Products, SMPS etc., which are already under manufacture at ITI. ITI has entered into a Technology alliance for New Products like GPON, NGN (IP TAX) Wi-MAX etc. ITI is also implementing State Government Orders for SWAN (State Wide Area Network) in IT Sector. ITI has also established Tier 3 + Data Center at Bangalore with Private Partnership. ITI is looking for modernizing its manufacturing infrastructure to take up Contract Manufacturing jobs from Public/Private Sectors.

XVI. MISCELLANEOUS

(i) National Do-Not-Call Registry

152. Do-Not-call directive, which was put in action during September, 2007, was to allow subscribers to opt out of receiving carry Unsolicited Commercial Communications (UCC), by registering their landline and mobile numbers under the Nation Do-Not-Call (NDNC) data base.

153. The Committee have been informed that the telemarketing industry comprises of a few large players and a number of small telemarketers, who may be doing the telemarketing either as a side business or on need basis. As these small telemarketers are not organized, a number of these people have not registered themselves with the DoT. Such telemarketers, who have not registered themselves with the DoT, are still continuing to make the commercial calls without scrubbing their list.

154. When asked as to how far TRAI has been successful in checking the unwanted/unsolicited telemarketing calls that embarrass the mobile subscribers across the country specially in unorganised sector such as small/unregistered telemarketers, the Department in their written reply stated as under:—

“All the Telemarketers are not registered with DoT and large number of complaints are being received by the service providers against both registered and unregistered Telemarketers. Further, it is observed that the subscribers do not take initiative to get themselves registered with NDNC and a large number of subscribers, despite having registered with NDNC, do not complain

to their service providers even on receipt of UCC. This indicates that the Regulation on UCC has achieved limited results. In view of the limited effectiveness of the present UCC regulations on National Do-Not-Call Registry as explained above, the large number of subscribers continue to receive unsolicited commercial calls/SMSs. Hence, there is a need to explore alternatives to address the problem of unsolicited commercial communications such as enactment of new legislation or amendment in Indian Telegraph Act to deal with unsolicited commercial communication, setting up of a National Do-Call Registry, and also strengthening of enforcement mechanism, including penal action for violating regulatory directions. The 'National Do-Call Register' will list the telephone number of subscribers who wish to receive calls related to marketing/promotional offers. Telemarketing companies would be allowed to call only these consumers. Once such a facility is in place, unsolicited calls made to all other telecom consumers would become illegal. TRAI is contemplating public consultation on the issue of Do-Call Registry. Based on the public consultation proposed above, TRAI would formulate its recommendations to the Department of Telecommunications (DoT).

155. The Committee have also been informed that TRAI has directed all Access Providers to adhere to the limits of 28 days in case of complaints against their own telemarketers and 35 days in case of complaints against telemarketers belonging to other telecom service providers. If the telecom service provider do not take action on the complaints against telemarketers, the Service Provider is liable to pay an amount by way of financial disincentive, not exceeding Rs. 5000/- for first non-compliance of the regulation and in case of second or subsequent such non-compliance, an amount not exceeding Rs. 20,000/- for each such non-compliance.

(ii) Sim Cards Bought on Fake Identity

156. The Committee have been informed that the total amount of penalty imposed for SIM cards bought on fake identity by Department of Telecommunications on various operators so far is Rs. 42.77 crore. The major defaulting operators are (i) Bharat Sanchar Nigam Ltd., (ii) Bharti Airtel Group of Companies, (iii) Reliance Communications Ltd., (iv) Vodafone Group of Companies, (v) Tata Group of Companies, (vi) Idea Group of Companies, (vii) Dishnet Group of Companies, (viii) Mahanagar Telephone Nigam Ltd., (ix) Spice Communications Ltd., (x) Reliance Telecom Ltd., (xi) BPL (now Loop Mobile India, (xii) HFCL Infotel Ltd., and (xiii) STL (now Sistema Shyam Telelinks Ltd.)

157. As many of the service providers have been found to be defaulting, the Committee desired to know about stringent actions/penalty that have been planned out by the Department to overcome the problem particularly in the context of the security of the nation when it has been reported that many fake SIM cards have been used by the terrorists/insurgent groups in many of the attacks which have happened in the country, the Department in their reply stated that it was decided in DoT to impose minimum financial penalty of Rs. 1000 per violation of subscriber number verification if any number found working without proper verification after 31st March 2007. Accordingly minimum financial penalty @ Rs. 1000 per unverified subscriber is imposed on service providers till 31st March 2009. In spite of provisions/instructions regarding subscriber verification, it was observed that service providers were not complying with the requirement of subscriber verification fully. The matter was reviewed and it was decided to take action which works as deterrent. As a measure to take deterrent action, the Department has started imposing prescribed graded scale penalty with effect from 1.04.2009. The graded scale penalty of an amount of Rs. 7,38,18,000 (Rs. Seven Crores Thirty Eight lakhs and Eighteen Thousands only) and Rs. 1,76,57,000 (Rs. One Crore Seventy Six lakhs and Fifty Seven Thousands only) on the service providers operating in Jammu & Kashmir Service Area and Assam Service Area respectively has been imposed so far for the period from April 2009 to July 2009.

PART-II

RECOMMENDATIONS/OBSERVATIONS

I. Allocation and Utilisation

(i) An Overview

The Department of Telecommunications which form a part of the Ministry of Communications and Information Technology are responsible for policy formulation, performance review, monitoring, international cooperation, research and development and grant of licences to operators for providing basic and value added services in various cities and telecom circles as per the approved policy of the Government of India. They are also responsible for wireless spectrum management and allocate frequency besides managing radio communications in close coordination with the International Bodies. The plan of telecom expansion by the Department is mainly carried out through their Public Sector Undertakings *i.e.* Bharat Sanchar Nigam Limited (BSNL), Mahanagar Telephone Nigam Limited (MTNL), Indian Telephone Industries Limited (ITI) and Telecom Consultant India Limited (TCIL). The Internal and Extra Budgetary Resources (IEBR) of the Public Sector Undertakings (PSUs) fund the development and expansion of the telecommunication activities. The Gross Budgetary Support (GBS) is extended to certain specific activities and specified bodies under the Department.

(ii) DoT Budget

2. The Committee note that the total approved Budget for the Telecom Services during the year 2009-10 is Rs. 10,254 crore, out of which Rs. 10,150 crore is for the Revenue Section (Rs. 9823 crore is towards non-Plan expenditure and Rs. 327 crore towards Plan expenditure). An Outlay of Rs. 104 crore has been provided for the Capital Section under the Plan expenditure. The various points, arising out of the examination of the Demands for Grants for the year 2009-10 of the Department of Telecommunications are dealt with in the succeeding paragraphs.

(iii) Under spending of outlay during Tenth and Eleventh Plan

3. The Committee note that during the Tenth Plan there was under spending of the total outlay to the tune of Rs. 26433.14 crore

as compared to the RE allocation of Rs. 71346.98 crore (IEBR+GBS). In terms of percentage, the said under spending was 37.35 per cent. The trend of under spending persists during the Eleventh Plan also. During the first year of the Eleventh Plan the under spending under IEBR+GBS, as compared to the RE allocation, was to the tune of Rs. 7625.26 crore *i.e.* 47.54 per cent. Again during the year 2008-09, the position slightly improved and the under spending was of the order of Rs. 7486.16 crore *i.e.* 37.52 per cent of the allocation provided at the RE stage. The aforesaid data clearly indicates the extent of unrealistic projections on the part of the Department. The Committee have consistently been raising this issue in their earlier reports. In spite of that, the trend of underspending persists. The Committee's observation is further reinforced if the status of utilization is compared to the total projected outlay. During the Eleventh Plan, the projections for the five years are for Rs. 91,333.57 crore (IEBR+GBS). The actual expenditure during the first two years of the Plan period is just Rs. 20878.12 crore which is around 22 per cent of the total projection for the Eleventh Plan. Thus with this pace of utilization, only half of the projected outlay would be utilized during the Eleventh Plan Period. Time and again when the issue was raised in the earlier Reports of the Committee, the Department's stand has been that the underspending is due to less than anticipated expenditure of two PSUs *i.e.* MTNL and BSNL, for whom the major part of the outlay accounts for. The detailed reasons for the inability of these PSUs in utilization of outlay effectively as enumerated during the course of examination of Demands for Grants are ambitious targets for overseas acquisitions which could not materialize, non-release of full payment due to some pending points/features in case of MTNL, the slashing down of outlay as a result of realistic and optimal planning in case of BSNL. The aforesaid scenario clearly indicates that there are unrealistic projections by the PSUs under the administrative control of the Department. There is an urgent need to review the situation and adopt the scientific planning and management techniques, so that the other important projects do not starve for resources due to the inefficiency of the PSUs to project realistically and spend the outlay effectively. The Department should take all the required steps to correct the situation in this regard. The Committee need to be apprised of the concrete action taken in this regard.

(iv) The status of allocation and utilization during the year 2009-10

4. During the year 2009-10, the proposed allocation IEBR+GBS, was for Rs. 17334.80 crore and the allocation made at BE stage was

for Rs. 16216.02 crore. Examination of Demands for Grants during October/November of the year has provided the Committee an added advantage of reviewing the status of utilisation of outlay during the first and second quarters of the year. In this regard, the Department furnished the data of utilization of outlay upto July, 2009. During the first four months of the year, the expenditure was to the tune of Rs. 3348.53 crore *i.e.* 20.65% of the outlay, which is far below the proportionate utilisation that should have been made to ensure cent percent utilization status. The Committee exhort the Department to take all the desired initiatives to ensure that at least during the third year of the Plan period, the utilization turn cent percent.

(v) The GBS allocation during the year 2009-10

5. During the year 2009-10, GBS allocation of Rs. 431 crore has been provided against the projections of Rs. 1327.45 crore *i.e.* about 1/3rd of the projected outlay. As stated by the Department, shortfall is expected in (i) the project of laying of Undersea Cable between Mainland and Andaman and Nicobar Islands, and (ii) OFC based Network for Defence Services relating to Network of Airforce. The Committee observe that UM&AN project is an important project which aims to provide an alternate and more importantly reliable communication link to avoid communication black out in a disaster. Besides, OFC based network is required to be completed expeditiously, so that additional spectrum is released by the Defence, which is urgently required for the network expansion plans as well as for providing the quality services to the customers. In view of this, the Committee strongly recommend that the position should be reviewed further at the stage of Revised Estimates and the additional requirement of outlay for these two projects should be met urgently so that the projects do not suffer for want of resources.

6. During the course of examination of Demands for Grants of the previous year, the Committee were apprised that the actual expenditure during the entire Tenth Five Year Plan was Rs. 40959.06 crore. Now during the course of examination of Demands for Grants of the current year, utilization position during Tenth Plan has been stated to be as Rs. 44913.84 crore. The Committee are unable to understand how the expenditure as indicated during the year 2008 with regard to utilization status during the Tenth Plan could change now, particularly when the Tenth Plan was over on 31st March, 2007, The Committee would like the Department to clarify the position in this regard.

II. Thrust Areas of the Department

(i) Network Expansion

7. The Committee note that Network expansion has been identified as one of the thrust areas of the Department. In this connection, 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 31st July, 2009, 479.07 million connections have already been provided. The average teledensity as on July, 2009 was 41.04%, whereas the rural teledensity was just 17.72%. The share of urban sector in wireless phones was 91.17% in March 2009. In spite of the fact that there has been a phenomenal increase in teledensity and India has the proud distinction of having the third largest telecommunication network in the world, the rural areas are still in the need of much more focused attention. Another area of concern is the dwindling share of the public sector in the wireless segment. The public sector share in wireless segment was 16.98% in March 2008 which declined to 13.45% in September 2009. In comparison, the share of private sector, which was 83.02% in March 2008 increased to 86.55% in September 2009. Even in the wire line segment, the public sector is losing its share. In March 2008, the public sector share in wire line was 89.38% which declined to 85.67% in September 2009. In comparison, the private sector grew from 10.62% in March 2008 to 14.33% in September 2009. Thus, the public sector has lost around 3-4% share in wire line and wireless segments during one year. The Committee feel that there is an urgent need for a focused attention towards technological upgradation and innovative marketing strategies so as to provide competitive services to the consumers which would help the public sector to retain its customer base. Besides this, independent survey need to be conducted to find out the cause of the declining share of MTNL and BSNL in the wire line and wireless segments. Once the grey areas are identified, appropriate corrective action can be taken. MTNL and BSNL being the public service providers have the social obligation to pay more attention to the rural areas. Concrete strategies in this regard should be chalked out, and the Committee be informed accordingly.

(ii) Broadband

8. The Committee note that as per the Broadband Policy, 20 million broadband subscribers are targeted by 2010. With regard to the current position in this regard, the Committee have been informed that as on July, 2009 about 6.80 million broadband

connections could be provided out of which the total number of rural broadband connections was more than 3.01 lakh. With regard to the coverage in cities, the Committee have been informed that 70.38 per cent of the cities have been covered whereas in rural areas only 15.67 per cent of the villages could be covered. The Committee note from the aforesaid position that adequate emphasis has not been given to rural broadband coverage.

Regarding the initiatives being taken by the Department to improve the broadband coverage in rural areas, the Committee note that the year 2007 was declared as the 'Broadband Year' and one of the thrust areas of the Department has been stated to be broadband coverage for rural broadband connectivity which will cover institutional users, such as Common Service Centres (CSCs), being set up by DIT, Gram Panchayats, Higher Secondary Schools and Public Health Centres, as well as individual users located in the villages. Further, the Indian Telegraph Rules have been amended, and stream IV has been added under the title "Provision of broadband connectivity to villages in a phased manner". In addition, a scheme has been launched to provide wire-line broadband connectivity to rural & remote areas by leveraging the existing rural exchanges infrastructure and out-door copper wire-line network. Further initiatives are being taken in respect of wireless broadband area. A wireless broadband scheme has been prepared to provide broadband facility to about 5 lakh villages. The different User Ministries/Departments are being coordinated to prioritize and firm up their requirements. While noting that all these steps are in the right direction, the Committee strongly recommend that the initiatives being taken should be further intensified particularly with regard to rural broadband connectivity. The proposed rural wireless broadband scheme should be finalized and implemented expeditiously.

9. The Committee further note that during the year 2008-09 under Tribal Sub Plan areas, the achievement is 58,114 out of the target of 1,10,025 broadband connections. The Department has informed that initiatives are being taken to achieve the stipulated targets by issuing Guidelines for Broadband Wireless Access (BWA) Services and the auction of BWA spectrum will be taken up with 3G spectrum which would help in increasing penetration of broadband in the country as well as growth in broadband subscribers. The Committee hope that with all these initiatives more attention would be given to the difficult areas and the targets would be achieved under the Tribal Sub Plan areas.

10. The Committee further note that National e-Governance Plan is the flagship programme of the Government which is expected to change the entire concept of implementation and system of Governance in the country. The various components of e-Governance like SWAN, SDC, CSC etc. are dependent on the broadband connectivity. The lack of wide spread availability of broadband connection is the main hindrance in implementation of the e-Governance Plan. The Committee feel that BSNL being the public sector service provider has immense responsibility in this regard particularly in the difficult areas. The Committee note that on the issue of Wi-MAX/VSAT action is being taken for their deployment in the villages. The Department should take up the matter with BSNL on a priority basis so that various components of e-Governance do not face the problem of connectivity. The concrete steps taken in this regard should be communicated to the Committee.

III. Universal Service Obligation Fund

11. The Committee note that New Telecom Policy, 1999 (NTP) envisaged provision of access to telecom services to all at affordable and reasonable prices. The resources for meeting the Universal Service Obligation (USO) are generated through a Universal Service Levy (USL), which is a percentage of the revenue earned by the operators under various licenses. Keeping in line with NTP' 99, the Universal Service Support Policy came into effect from 1.4.2002. In this regard, during the years 2002-03 to 2008-09 Rs. 25,331.35 crore were collected under USL. With regard to the allocations made out of the USO fund to meet the Universal Service Obligation, the Committee note that during the aforesaid years, the final allocation was to the tune of Rs. 7971.44 crore *i.e.* almost 1/3rd of the collections made under USL. The Committee also take note of the fact that there was optimal expenditure of the allocations made under USL. During the course of examination of Demands for Grants, the Committee have been informed that reimbursement of licence fees, spectrum charges were granted to BSNL after its formation and an amount of Rs. 6,948.64 crore was adjusted from the USO Funds. Even if the aforesaid amount is deducted, the difference between the collections received and the final allocations made comes to Rs. 10411.27 crore. Taking note of the fact that various important activities which are being undertaken with the USO fund are VPTs, Shared Infrastructure Mobile Service Schemes (2nd phase), Operational sustainability of Wireline Network installed prior to 01.04.2002, Wire Line Broadband connectivity in rural and remote areas, Creation of general infrastructure for the development of

telecom facilities – Optical Fibre Connectivity, Pilot Projects for induction of new technological developments in telecom sector etc. which would certainly enhance the connectivity in rural and difficult areas, the Committee strongly recommend that the allocation commensurate with the collections made under USL should be earmarked for meeting the Universal Service Obligation. The concerns of the Committee in this regard should be duly communicated to the Ministry of Finance/Planning Commission.

IV. BHARAT NIRMAN PROGRAMME

(i) Village Public Telephones (VPTs)

12. The Committee note that Village Public Telephones (VPTs) has been included as the telephone connectivity component under Bharat Nirman Programme. VPTs is one of the ongoing activities of Universal Service Obligation Fund. Nearly 5.42 lakh VPTs have been provided by BSNL before 2004-05 and these VPTs are receiving support towards operation and maintenance. Still there are 66822 villages uncovered as per census 1991. These uncovered eligible villages were to be provided with VPTs in a phased manner (20%, 40%, 40%) over a period of three years and by November 2007. The Committee note that the roll out period has been extended upto November 2009. Out of the total target of 66822 VPTs, the achievement till August, 2009 was 59346 VPTs. The Committee have been informed that most of the remaining VPTs are to be provided in the States of Jammu and Kashmir, Meghalaya, Arunachal Pradesh, Manipur, Orissa and Uttarakhand. With the census 2001, new villages appeared and as such a revised list of 62443 villages not having VPT facility has been prepared. Out of the 62443 villages, as on 31 August, 2009 a total number of 31464 VPTs have already been provided under the new VPT agreement with M/s BSNL. The remaining VPTs under the newly identify category are likely to be provided in a phased manner by February, 2011. The Committee conclude from what has been stated above that in spite of all the efforts being made over the years, there are still 7476 VPTs to be covered under the Bharat Nirman Programme and 30979 VPTs under the newly identified category of villages. While taking note of the fact that the uncovered VPTs are in the difficult areas, the Committee strongly recommend the Department/BSNL to take all the desired initiatives with the help of technology intervention so that these areas are covered expeditiously. Since the deadline for coverage of Bharat Nirman VPTs has already expired on November, 2009, the efforts should be made to cover 7476 VPTs without any further

delay. With regard to the newly identified villages to be provided with VPTs it should be ensured that the deadline of February, 2011 is not further extended and these VPTs are put in place. The Committee should be kept apprised about the follow up action in this regard.

13. The Committee note that VPTs already installed under the Bharat Nirman Programme are receiving support towards operation and maintenance from the USO Fund. In this regard, the Committee would like to be clarified whether the operation and maintenance of the newly identified VPTs would also be covered under the USO Fund. The Committee would also like to be apprised of the data till date with regard to the cost of operation and maintenance of the VPTs that has been borne out of the USO fund.

(ii) Provision of Rural Community Phones (RCPs)

14. The Committee note that the RCPs scheme was launched with the objective to provide a second public phone in relatively bigger villages having a population of above 2,000 and not having any other public telephone facility *i.e.* PCO. In this connection, agreements were signed with BSNL and RIL to provide RCPs in 40691 villages (BSNL 21958, RIL 18733). As on 31st May, 2009 a total of 40691 RCPs were provided by both the companies. Thus only 14 villages were still to be covered by 31st May, 2009. The Committee would like to be apprised of the status of installation of telephones in these 14 villages by RIL.

15. From the data provided by the Department, the Committee note that in September, 2004 agreements were signed for installation of 46253 Rural Community Phones. The target of RCPs to be provided was revised downward to 40705. The Committee further note that there were about 48406 villages with a population of more than 2,000 and without a public telephone as per the information provided by the Department. The Committee would like the Department to clarify the reasons for leaving out 2153 villages while making the initial agreement and reduction of the target from 46253 to 40705 RCPs. The desired clarification should be furnished so as to analyse the position and comment further in this regard.

16. The Committee further note that the detailed terms and conditions for the maintenance of RCPs have been prescribed in the agreement signed with service providers. In this regard, the Committee would like to be apprised about the mechanism to

monitor that RCPs provided with the Government funding are properly maintained. The Committee feel that there is an urgent need to get the feed back from the actual users *i.e.* the rural populace. As such proper coordination should be maintained with the local bodies. The desired initiatives on the suggested lines should be taken and the Committee be apprised accordingly.

(iv) Replacement of Multi Access Radio Relay (MARR) Based Village Public Telephones (VPTs)

17. The Committee observe that as per the original agreements, 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 1,85,121 and three extensions were granted to BSNL to replace such VPTs by 31st March, 2009. As on 31st May, 2009 only 1146 VPTs remain to be replaced. The target for replacement of these remaining VPTs was by June, 2009. During the course of examination of the Demands for Grants (2009-10), the Committee have further been apprised that now 875 VPTs remain to be replaced as on 31.8.2009. Most of the remaining VPTs are in the States of Meghalaya, Mizoram, Arunachal Pradesh, Manipur, Assam, Orissa and Chhattisgarh. The reasons for delay in the replacement of MARR VPTs as indicated by the Department are their location in far off and isolated areas where the expansion of network is not easily feasible. The Committee have been informed that BSNL is in the process of procurement of CDMA equipment and some of the MARR VPTs are also to be replaced on Digital Satellite Phone Terminals (DSPTs).□The Committee strongly recommend that the CDMA/DSPT equipment should be procured expeditiously so that the remaining MARR based VPTs are replaced without any further loss of time.

(v) Provisions of Individual Rural Direct Exchange Lines (RDELs)

18. The Committee note that agreements were signed in March, 2005 with M/s BSNL,RIL, TTL & TTL (Maharashtra) for installation of Individual Rural Household Direct Exchange Lines in the country during the period from 01.04.2005 to 31.03.2007. As per the agreements signed, these RDELS were 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 total 2647 SDCAs, where cost of providing telephone connection was more than the revenue earned. The contracted SDCAs amongst M/s BSNL,RIL, TTL & TTL (Maharashtra) were 1267, 203, 172 & 43 respectively. As on 31.05.2009.

about 64,55,166 RDELS have already been provided [BSNL – 20,57,950, RIL – 18,20,051, TNL – 18,58,162 and TNL (Maharashtra) – 53,07,68] under the scheme. During the examination of DFG (2008-09) the Committee were informed that the schedule date for completion of the scheme was extended upto March, 2009. However, the Committee have now been informed that it has further been extended upto 31st, March, 2010 as per the requests received from the various service providers. The Committee strongly recommend that the four service providers should be impressed upon to cover all the eligible SDCAs through provision of individual rural direct exchange line by the revised deadline and no further extension should be considered/provided.

(vi) Shared Infrastructure Mobile Services Scheme (Phase I & II)

19. The Committee note that the shared infrastructure mobile services scheme (Phase I) was launched by USOF to provide subsidy support for setting up and managing infrastructure sites/towers for providing mobile services in the specified rural and remote areas where there is no existing fixed wireless or mobile coverage. The infrastructure so created is to be shared by three service providers *i.e.* BSNL, Vodafone and Reliance for provision of mobile services including other Wireless Access Services like Wireless in 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. During the examination of DFG (2008-09) the Committee were informed that the Phase I would be completed by May, 2008. However, the Committee have now been informed that the date has been extended upto September, 2009. The Committee are disheartened to note that the Phase I is yet to be completed and the target date for completion has time and again been extended. As on 31st July, 2009 only 6209 out of the stipulated 7439 sites/towers have been installed *i.e.* 83.46 per cent achievement. The reasons for the delay have been attributed to disturbed areas, rough terrain and acquisition of land etc. The Department have further submitted that the service providers before submitting their bid were informed about the locations and remoteness of the sites where the towers are proposed to be installed. Apparently, the delay is on the part of the service providers. In this connection, the Committee would like to be apprised whether there was any provision of penalty in the contract in case of not meeting the deadlines by the service providers.

20. The Committee further note that a proposal to further cover the hitherto uncovered areas in the country through mobile services for this 10,128 additional sites has been identified for setting up shared towers. These towers will be installed in the second phase of the scheme which is likely to be launched shortly. The Committee strongly recommend that while signing agreements with the service providers, it should be ensured that there is a penalty clause for not meeting the deadlines by the service providers. The Committee may be kept apprised about the launch and implementation of the scheme in due course.

V. Pilot Projects under USOF

21. The Committee note that five pilot projects under USOF are likely to be provided with subsidy support at an upper ceiling of Rs. 50 lakh per project during 2009-10. Support is also being considered for renewable charge sources (solar, wind, hybrid solutions) for 20 sites on pilot basis. Further, support is also being considered for mobile charging stations in 5000 villages through TERI projects of Lighting a Billion Lives (LaBL). The Committee further note that USOF has already signed MoU with M/s Vihan Networks Ltd for deployment of rural telephony solution. As far as the pilot projects to establish technical feasibility and financial viability for solar/ solar wind hybrid renewable energy are concerned, bids are currently under evaluation. The Committee hope that the pilot projects would commence expeditiously followed by launching of the scheme on the full scale.

VI. TRAI

22. The Committee note that the Plan outlay BE & RE of TRAI during the year 2008-09 was Rs. 10 crore, out of which the actual expenditure was Rs. 3 crore. Similarly, during 2008-09, the approved non-Plan RE for TRAI was Rs. 24.80 crore whereas the actual expenditure as on 31st March, 2009 was Rs. 27.05 crore. For the year 2009-10, the Plan and non-Plan BE provisions for TRAI are Rs. 10 crore and Rs. 24 crore respectively. Out of this Rs. 34 crore (Plan + non-Plan), Rs. 13.40 crore has been spent upto August, 2009 and TRAI is optimistic of spending the balance amount during the remaining period of the current fiscal. The Committee further note that the percentage of Plan expenditure during 2007-08, 2008-09, and 2009-10 (upto July, 2009) were 37.50 percent, 30 percent and 33 percent respectively. The Committee are disturbed to note the prevailing trend of under utilisation of Plan Outlays. They, therefore,

recommend that measures be taken for optimal utilisation of Plan Outlays so that TRAI is able to carry out its avowed objectives and meet the fresh regulatory challenges as an effective and proactive regulator.

VII. Telecom Engineering Centre

23. The Committee note that the Plan allocation during 2008-09 for TEC at BE stage was Rs. 10 crore which was reduced to Rs. 1.01 crore at the RE stage. The actual expenditure was only 0.80 crore. The Plan BE 2009-10 provides for an amount of Rs. 8 crore for setting up of Next Generation Networks (NGN) test lab and other activities. The reasons for reduction at the RE stage by Rs. 8.09 crore during 2008-09 has been attributed to the non-approval of the project for installation of NGN Test bid by Standing Finance Committee (SFC). However, the Committee have now been informed that the said project has been formally approved by the competent authority and the procurement process is likely to begin during the current financial year. The Committee are of the opinion that since TEC is engaged with many important projects such as technical and engineering specifications of new products, equipments, systems etc., DoT should ensure that the procedural impediments do not come in the way of TEC's optimal achievement of targets set for the remaining period of Eleventh Plan and especially 2009-10, including those intended to be carried out in the North-East Regions, thereby ensuring maximum utilisation of the earmarked amount of Rs. 8 crore.

24. The Committee observe that TEC has initiated a number of steps to achieve the physical targets fixed for the year 2009-10 which *inter-alia* includes defining the scope of constituent labs, detailing the requirement of equipments, identification of protocols for conformance, testing with reference to RFC/standard. The Committee appreciate the steps initiated by TEC, nevertheless, they are of the opinion that they should strictly monitor the steps taken by them so that the Outcome Budget of 2010-11 does not reflect any shortfalls in the stipulated targets.

VIII. C-DOT

25. The Committee note that the RE (GBS + IEBR) for C-DOT during the years 2007-08, 2008-09 were Rs. 130.97 crore and Rs. 151.78 crore respectively and their corresponding expenditure was Rs. 131.89 crore and Rs. 134.29 crore. The BE for 2009-10 is for an amount of Rs. 345 crore (GBS + IEBR). The Committee further note that the

percentage of achievement of the target fixed for projects/schemes under C-DOT during 2008-09 is stated to be 65 per cent. However, C-DOT are pursuing continuously to improve its processes to achieve higher performance in research and development activities. For the year 2009-10 many important MoUs have been signed for quick developmental responses to the policies of the Government regarding active sharing of Base Trans/Receive Systems and Base Station Controller Systems. The Committee while appreciating the steps taken by C-DOT to improve its achievements of the stipulated targets, recommend that C-DOT should lay greater emphasis on planning, monitoring and quality processes, so as to accomplish the set targets for the benefit of rural and remote areas.

26. The Committee observe that C-DOT during the 2007-08 have raised Rs. 22.4 crore as the internal resource against an anticipated amount of Rs. 31.97 crore and during the year 2008-09, the amount raised was Rs. 26.71 crore against the planned internal resources of Rs. 29.96 crore. The Committee note that the revenue generation target for the remaining period of the Eleventh Plan as projected by C-DOT is Rs. 278.36 crore. Some of the steps envisaged by C-DOT during the remaining period of the Eleventh Plan *inter-alia* includes putting up technology projects for commercialization after necessary trials by using transfer of technology/Royalty model, technology based on concept of develop, build and operate application. Other areas that have been identified by C-DoT include undertaking software intensive solution for operators and service providers on turnkey basis and third party technologies as well as technical consultancy and Intellectual Property Rights. The Committee hope that in view of the extent of budgetary allocation for C-DOT and nature of research and development that it undertakes, they will take all appropriate measures to realize the projected amount during the remaining part of the Eleventh Plan so that the premier Research Centre is able to meet its revenue generation target and develop total telecom solution technologies and applications for the benefit of the masses.

IX. DoT Projects

27. The Committee note that Rs. 5.00 crore has been provided from the Plan Outlay for setting up of Telecom Testing and Security Certification Centre for the year 2009-10. Presently, TETC is focusing on setting up testing methodologies and also for arriving at the standards for Security Certification and have studied the available security standards for IT and telecom and is in the process of

formulating necessary security standards for the country. The Committee further note that at present, there are no readymade standards for evaluation and testing of telecom equipment from security angle. However, TETC has already completed a comprehensive survey of available standards including the Common Criteria and FIPS 140, BS 7799 and ISO/IEC 27001 for information security and compared their merits and demerits and the practices being followed in various countries. Their testing methodologies and the criteria adapted have also been studied. The Committee appreciate the steps taken by the Department for formulation of necessary security standard for the country. They are of the opinion that DoT should ensure that there are no financial and administrative hurdles in implementing this project especially taking into consideration the importance of National Security.

X. BHARAT SANCHAR NIGAM LIMITED (BSNL)

(i) Financial Performance

28. The Committee note that during the entire Tenth Plan period, the financial target for BSNL was Rs. 59,153 crore whereas the achievement was Rs. 38,715 crore only, implying an expenditure of 65.45 per cent. The Committee further note that the total proposed outlay for BSNL during Eleventh Plan is Rs. 80607.78 crore (IEBR). During the first two years *i.e.* 2007-08 and 2008-09 the total BE of Rs. 41472 crore was reduced to Rs. 31956 *i.e.* reduction by 22.94 per cent. The percentage utilisation of outlay with respect to RE during 2007-08, 2008-09 was 56.68 per cent. For 2009-10 BE, an outlay of Rs. 14015.00 crore has been provided for BSNL. The actual expenditure upto July, 2009 with respect to BE was Rs. 3115.71 *i.e.* 22.23 per cent. The shortfall in the expenditure in 2008-09 has been attributed to delay in procurement of the mobile equipments due to litigation and secondly the decline in the cost of telecom equipments from pre-budgeting to post-budgeting stage. The Committee are not convinced with the reasons advanced by BSNL. They are of the opinion that the underutilization of fund is mainly on account of unrealistic assessment and projections on the part of the Company. The Committee, therefore, recommend that the Company should set realistic and achievable financial targets based upon the requirements and market conditions. The Committee also recommend that the procurement system should be effective and BSNL should plan in advance to fulfill its financial targets.

(ii) Physical Targets and Achievements

29. The Committee note that as on 31st March, 2009, the achievement of physical target earmarked during 2008-09 has been encouraging in almost all the schemes except for Internet, DELS and Trunk Exchange (TAX) as the percentage of their achievement was only 34, 34.60 and 12.33 percent respectively. The reason for shortfall given by BSNL for internet connection was primarily due to switching over of many customers to broadband service and for TAX capacity it was due to non-acceptance of IP TAX equipments by the vendors. For DELs the reasons for shortfall in telephone connections was due to surrender of wireline telephone connections including disconnections due to non payment of dues and delay in supply and commissioning of WLL equipment by ITI. The physical target set for the year 2009-10 for GSM mobile connection is 180 lakh connections, for fixed (WLL & Wireline) connection it is said to be - 15 lakh connections, for broadband connection the target set is 25 lakh connections. For optical fibre and TAX capacity the set targets are 25000 RKms and 1000 KC respectively. The Committee are of the opinion that the set physical targets cannot be achieved until and unless BSNL put in place an appropriate assessment of the requirement as well as proper coordination with other agencies. The Committee, therefore, recommend that BSNL should have a threadbare analysis of the past performance and should look into the impediments seriously so as to achieve the physical targets during the remaining period of the Eleventh Plan and 2009-10 in particular.

(iii) Outstanding Arrears

30. The Committee are concerned to note that the outstanding arrears as on 31st March, 2009 for CMTS was Rs. 672.88 crore and for the Basic Services it was Rs. 3466.12 crore. The Committee note that various measures have been taken by BSNL to collect the outstanding arrears such as launching of new recovery schemes through experienced recovery agencies and extension of discount schemes for liquidation of dues by the defaulters. Further, periodic and stringent monitoring is being done to realize/liquidate the outstanding amount. Further, the State Governments have been requested to amend their respective land revenue acts so that dues of BSNL can be recovered as land revenue arrears from the defaulters. Procedure for settlement of defaulter cases through Lok Adalat has been introduced for recovery of outstanding telephone dues in respect of permanently closed connections. While noting

that these are steps in the right direction, the Committee impress upon BSNL to resort to all possible measures to recover the outstanding dues as the Company can ill afford to ignore more than Rs. 4000 crore. Such appropriate measures are more warranted in view of BSNL's precarious financial health to carry out its rural telephony obligations.

(iv) Surrender of BSNL Telephones & Mobiles

31. The Committee are constrained to note the increasing trend of surrender of BSNL telephone connections under WLL and mobile category. Under WLL the number of surrender of telephone connections has increased from 7,21,613 during 2007-08 to 9,24,650 in 2008-09. Similarly under the mobile segment the said number has increased from 4,942,039 to 7,378,137. Under the third category *i.e.* land line, the surrender number has slightly improved from 4,409,718 to 4,313,181. Instead of taking any effective action to reverse the trend of surrenders, BSNL has tried to justify the position by stating that surrender of mobile connection is a country wide phenomenon for all service providers and not specific only to BSNL. The Committee disapprove the way BSNL has reacted on one of the serious observation of the Committee regarding surrender of telephone connections. The Committee find that today there are various choices before the customers and they opt only those service providers who give the best service. The Committee strongly feel that there is an urgent need to conduct an independent study to know the precise reasons for surrender of BSNL telephone throughout the country. Once the reasons are identified concrete action should be taken to arrest this trend of surrender of telephones.

(v) Quality of Service

32. The Committee note that specific actions are being taken by BSNL to provide quality telephone service to its customers in Wired, WLL and CMT services as well as in Internet and Broadband Services to ensure performance as per the quality of service parameters prescribed by TRAI. The Committee also note that steps have been taken to further improve the quality of basic service which *inter-alia* include monitoring of quality of services, introduction of Internet Protocol base switches in phased manner, poleless activity in outdoor network by replacing drop wire with 5 Pair Cable, interactive voice response system based on centralized fault booking system and rehabilitation of external plant by dressing MDFs, Pillars and DPs and replacing of life expired telephone

instruments. The Committee also note that BSNL has empanelled four Professional Media agencies for adopting innovative marketing strategies through advertisement in Electronic Media TV channels for building the brand as well as service/products. Another important step that has been taken by BSNL is the pilot project through 3G Experience Centre which was launched in the month of July, 2009. While taking note of the steps being taken by BSNL the Committee feel that a lot still needs to be done. They, therefore, recommend that BSNL should continuously strive to leverage its quality of service to its customers, including those in rural areas by strictly following the measures which have been apprised to the Committee for the betterment of quality of services.

(vi) Waiting List

33. The Committee note that as on 31st March, 2009, as many as 2,23,238 people were in the queue to get landline phones. Similarly, the waiting list for WLL was 54,958. The Committee have been apprised that the generation of waiting list is a continuous process as new registration of telephone connections are added every month. The pending list is mostly in rural/remote areas which are technically not feasible. The Committee desire BSNL to intensify its measures for providing both landline and mobile telephones on demand all over the country at the earliest.

XI. Mahanagar Telephone Nigam Limited (MTNL)

(i) Financial projections and utilisation

34. The Committee note that the total projected Outlay for MTNL for the Eleventh Plan is Rs. 8576.31 crore. During the second year of the Eleventh Plan period *i.e.* 2008-09, the BE of Rs. 2430 crore was reduced to Rs. 1304.28 crore at RE stage. The actuals as on 31st March, 2009 has been Rs. 1087.60 crore *i.e.* only 60.79 per cent. The 2009-10 fiscal provides for an Outlay of Rs. 1725.02 crore and upto July, 2009 an outlay of Rs. 181.76 crore has been spent *i.e.* 10.54 per cent. Regarding the reasons for lesser utilisation of funds during 2008-09, the Committee have been apprised that in telecom sector, it is difficult to forecast requirement of funds well in advance and therefore, the projection changes in the post budgeting period is inevitable. However, MTNL are drafting their Annual Plans after taking into consideration the experience gained during the previous years. Meetings are also being held to review the ongoing schemes and at the same time they are also taking stock of the status of new/upcoming projects and funds are allocated based on the

expenditure likely to be booked under various heads. The Committee are not convinced with the reasons given by MTNL for under utilisation of the funds. The Committee are of the view that in the prevailing environment of fierce competition in telecom market, MTNL should have foreseen the possible constraints and finalize the plan projections accordingly. The Committee feel that as this was not done, it ultimately resulted in meager utilisation of fund. The Committee now hope that the measures proposed by MTNL would be followed prudently so as to ensure optimal utilisation of funds during 2009-10 and also during the remaining period of the Eleventh Plan.

(ii) Outstanding arrears

35. The Committee note that the outstanding arrears of MTNL as on 31st March, 2009 was Rs. 1173.73 crore. During the examination of DFG (2008-09), the outstanding arrears was stated to be Rs. 1188.62 crore *i.e.* annual reduction is by only Rs. 14.89 crore. The break-up of the outstanding arrears being Rs. 890.85 crore for basic services, Rs. 105.31 crore for CDMA and Rs. 177.57 crore for GSM. This means that the measures taken by MTNL which include strong monitoring at corporate level, implementation of revenue assurance programme, adjusting of security deposits against outstanding Convergent Billing system, automated telephone reminder, legal measures have not yielded the desired result. Therefore, the Committee recommend that MTNL should re-strategise their efforts and make full use of the measures like Convergent Billing System to effectively recover the outstanding dues and not allow the dues to amount beyond unimaginable proportion.

(iii) Surrender of Telephones

36. The Committee note that MTNL have miserably failed to check the negative growth trend of the land line telephone connections during 2008-09 as is evident from the data of the net landline connections surrendered in Delhi and Mumbai which were — 45993 and — 66,118 respectively as on 31st March, 2009. The Committee further note that during 2008-09, 95,924 and 26,748 Dolphin mobile connections in Delhi and Mumbai respectively were surrendered. Regarding measures proposed to nullify the negative growth in fixed line, MTNL is planning to take various initiatives which include (i) introduction of class V NGN/IMS based services, (ii) increase in penetration of Broadband on ADSL 2+ technology, and (iii) provisioning of value added services like CRBT on fixed

lines etc. For mobile connection, MTNL has taken certain measures viz. launching of New 3G services, installation of additional BTSs to improve the network coverage etc.. The Committee hope that with all these measures MTNL will be able to arrest the negative growth in landline and mobile connections. The Committee would await the impact/result of the measures taken by MTNL.

(iv) Quality of Services

37. The Committee note that several measures have been initiated by MTNL to provide better quality of services to its customers. Some of these measures *inter-alia* include improvement in network, digitalization of all exchanges, reduction of fault rate and MTTR, addition of BTS for cellular services, proposal to add 200 GSM & 291 GSM towers for Delhi and Mumbai respectively, opening of Sanchar Haat, Customer Services Centre, appointment of Dealers and Agents as well as special care of Corporate Customers. The Committee, however, are of the opinion that a lot needs to be done to improve the quality of services especially in cellular connectivity. The Committee hope that MTNL would put all their energies and would effectively carry out the measures to ensure better quality of services which would enable the PSU to compete in the telecom market.

XII. ITI

38. The Committee note that during 2008-09 BE, barring a provision of Rs. 6.50 crore as compensation to ITI, no fund was earmarked. However, under 2009-10 B.E., a sum of Rs. 2820 crore has been provisioned in the non-Plan budget for financial restructuring as a part of revival of ITI. A budgetary support of Rs. 1 crore has been provided under plan outlay for the year 2009-10. The Committee further note that ITI to upgrade the existing infrastructure and to diversify the product range has plans in the areas relating to artillery fuses for Defence electronic surface and Tactical Communication Services, manufacture of Low Cost High Volume Customer Premises Equipment for ADSL & Wi-MAX, banking automation products etc. The Committee hope that the financial restructuring of the company and its own effort to upgrade and diversify the product range would help ITI to survive and turn around. The Committee would like to be apprised of the latest position of the revival of ITI.

XIII. Miscellaneous Issues

(i) Spectrum Issues

39. The Committee's attention has been drawn to various issues regarding allocation of spectrum. In view of the need to examine these issues in the proper dimension the Committee will deal with the subject separately.

(ii) National-Do-not-Call Registry

40. The Committee are disheartened to note that Do-not-Call directive which was put into action during September, 2007 has not yielded the desired result as many of the small telemarketers are yet to be registered with the DoT and are still continuing to make the commercial calls without scrubbing their list. Even the registered telemarketers also go scot free as many of the subscribers despite having registered with National Do-not-Call-Registry, do not complain to their service providers even on receipt of unsolicited calls. The Department have admitted that there is a need to explore alternatives *viz.* (i) enactment of a new legislation or amendment in Indian Telegraph Act, and (ii) strengthening of enforcement mechanism, including penal action for violating regulatory directions. In this regard, TRAI is contemplating public consultation. Based on the consultation, TRAI would be furnishing its recommendation to the Department.

Taking note of the aforesaid development, the Committee recommend that expeditious action on the proposed alternatives should be taken by the Department so that the consumers get the respite from the unsolicited calls.

(iii) SIM Cards bought on fake identity

41. The Committee are constrained to note that a large number of service providers are stated to be defaulters regarding issuing of SIM cards to the subscribers who are not giving their correct identities to avail the use of SIM cards. The Committee also note that as on date a penalty of Rs. 42.77 crore have been imposed on the defaulting service providers *i.e.* namely Bharat Sanchar Nigam Ltd, Bharti Airtel Group of Companies, Reliance Communications Ltd., Vodafone Group of Companies, Tata Group of Companies, Idea Group of Companies, Dishnet Group of Companies, Mahanagar Telephone Nigam Ltd., Spice Communications Ltd., Reliance Telecom Ltd., BPL (now Loop Mobile India), HFCL Infotel Ltd., and STL

(now Sistema Shyam Telelinks Ltd.). The Committee feel that the national security should be given utmost importance and DoT should ensure that stringent actions are taken against the defaulters to curb the menace especially in the militants/insurgent affected areas so that the country can be guarded against the probable risk of threat/attacks from them.

NEW DELHI;
16 December, 2009
25 Agrahayana, 1931 (Saka)

RAO INDERJIT SINGH,
Chairman,
Standing Committee on
Information Technology.

APPENDIX I

STATEMENT SHOWING 10TH FIVE YEAR PLAN ALLOCATION, ANNUAL PLAN OUTLAY,
EXPENDITURE AND % AGE UTILISATION FOR 2002-03 TO 2006-07

(Rs. in crores)

| Orgn./Scheme | 10th Plan Outlay (approved) | Annual Plan 2002-03 | | | | | Annual Plan 2003-04 | | | | | Annual Plan 2004-05 | | | | | Annual Plan 2005-06 | | | | | Annual Plan 2006-07 | | | | |
|----------------|-----------------------------------|---------------------|----------|----------|---------------------------------|----------|---------------------|---------|--------|---------------------------------|---------|---------------------|---------|----------|---------------------------------|---------|---------------------|----------|----------|---------------------------------|--------|---------------------|----|------|---------------------------------|--|
| | | BE | RE | Exp. | % age utilisation wrt. RE | | BE | RE | Exp. | % age utilisation wrt. RE | | BE | RE | Exp. | % age utilisation wrt. RE | | BE | RE | Exp. | % age utilisation wrt. RE | | BE | RE | Exp. | % age utilisation wrt. RE | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | | | | | |
| BSNL | 66412.00 | 14075.00 | 11098.00 | 12057.00 | 108.64% | 12284.00 | 10607.00 | 6537.00 | 61.63% | 8808.00 | 6636.00 | 7578.00 | 114.20% | 9696.00 | 15463.00 | 6838.00 | 44.22% | 16931.00 | 15349.00 | 5705.00 | 31.17% | | | | | |
| MTNL | 11955.44 | 3994.06 | 2180.00 | 1053.91 | 48.34% | 2284.00 | 2026.00 | 965.91 | 47.68% | 2557.00 | 2220.00 | 1038.48 | 46.78% | 1887.00 | 1529.00 | 685.47 | 44.83% | 2298.00 | 1903.00 | 795.83 | 41.82% | | | | | |
| ITI | 790.00 | 73.00 | 71.73 | 31.72 | 44.22% | 202.00 | 70.00 | 10.86 | 15.51% | 120.00 | 538.00 | 61.93 | 11.51% | 0.00 | 0.00 | 0.00 | — | 0.00 | 0.00 | 0.00 | — | | | | | |
| VSNL | 0.00 | 1135.73 | 0.00 | 0.00 | — | 0.00 | 0.00 | 0.00 | — | 0.00 | 0.00 | 0.00 | — | 0.00 | 0.00 | 0.00 | — | 0.00 | 0.00 | 0.00 | — | | | | | |
| C-DOT (IR) | 0.00 | 0.00 | 0.00 | 0.00 | — | 0.00 | 0.00 | 0.00 | — | 0.00 | 0.00 | 0.00 | — | 49.40 | 49.40 | 31.88 | 64.53% | 61.70 | 61.70 | 31.00 | 50.24% | | | | | |
| (I) Total IEBC | 79157.44 | 19277.79 | 13349.73 | 13142.63 | 98.45% | 14770.00 | 12703.00 | 7513.77 | 59.16% | 11485.00 | 9394.00 | 8678.41 | 92.38% | 11632.40 | 17041.40 | 7555.35 | 44.34% | 19290.70 | 17313.70 | 6531.83 | 37.73% | | | | | |
| BSNL | — | 1.00 | 721.00 | 721.00 | 100.00% | 1.00 | 1.00 | 0.00 | — | 1.00 | 0.00 | 0.00 | — | 0.00 | 0.00 | 0.00 | — | 0.00 | 0.00 | 0.00 | — | | | | | |
| ITI | — | 0.00 | 0.00 | 0.00 | — | 0.00 | 0.00 | 0.00 | — | 0.00 | 200.00 | 200.00 | — | 0.00 | 0.00 | 0.00 | — | 0.00 | 0.00 | 0.00 | — | | | | | |
| WMO | | 2.25 | 1.12 | 0.09 | 8.04% | 9.36 | 2.33 | 0.11 | 4.72% | 14.27 | 3.27 | 0.03 | 0.92% | 18.77 | 10.12 | 0.00 | 0.00% | 9.00 | 4.62 | 0.00 | 0.00% | | | | | |
| WPC | — | 101.05 | 38.62 | 15.82 | 40.96% | 131.17 | 105.00 | 94.00 | 89.52% | 73.75 | 20.00 | 3.07 | 15.35% | 62.71 | 9.24 | 3.68 | 39.83% | 15.61 | 6.30 | 5.00 | 79.37% | | | | | |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 |
|----------------------|----------|----------|----------|----------|---------|----------|----------|---------|---------|----------|---------|---------|---------|----------|----------|---------|---------|----------|----------|---------|---------|
| TRAI | 1495.00 | 1.50 | 2.30 | 2.30 | 100.00% | 1.67 | 1.67 | 1.67 | 1.67 | 100.00% | 0.00 | 0.00 | — | 3.00 | 3.00 | 3.00 | 100.00% | 3.25 | 2.00 | 2.00 | 100.00% |
| TDSAT | | 0.20 | 0.48 | 0.33 | 68.75% | 0.87 | 0.87 | 0.63 | 72.41% | 0.60 | 0.70 | 0.60 | 85.71% | 1.00 | 0.70 | 0.70 | 100.00% | 0.75 | 1.00 | 0.88 | 88.00% |
| TFC | | 4.00 | 3.70 | 1.35 | 36.49% | 2.27 | 2.48 | 2.46 | 99.19% | 4.00 | 2.98 | 0.73 | 24.50% | 1.13 | 0.12 | 0.11 | 91.67% | 1.00 | 1.00 | 0.05 | 4.58% |
| C-DOT | 75.00 | | 74.09 | 103.00 | 139.02% | 38.66 | 38.66 | 47.66 | 123.28% | 81.38 | 68.36 | 68.36 | 100.00% | 82.00 | 78.82 | 75.12 | 95.31% | 82.00 | 82.00 | 82.00 | 100.00% |
| UMA&N | | | | | | | | | | | | | | | | | | 1.00 | 1.00 | 0.00 | 0.00% |
| TETC | | | | | | | | | | | | | | | | | | 5.00 | 5.00 | 5.00 | 100.00% |
| TAT | | | | | | | | | | | | | | | | | | 1.00 | 1.00 | 0.50 | 50.00% |
| DS | | | | | | | | | | | | | | | | | | 100.00 | 50.60 | 50.60 | 100.00% |
| (III) Total CBS | 1495.00 | 185.00 | 841.31 | 843.89 | 100.31% | 186.00 | 152.01 | 146.53 | 96.39% | 175.00 | 295.31 | 272.79 | 92.37% | 168.61 | 102.00 | 82.61 | 80.99% | 218.81 | 154.82 | 146.03 | 94.50% |
| Grand Total (I)+(II) | 80652.44 | 19462.79 | 14191.04 | 13986.52 | 98.56% | 14955.00 | 12855.01 | 7660.30 | 59.59% | 11660.00 | 9689.31 | 8951.20 | 92.38% | 11801.01 | 17143.40 | 7637.96 | 44.55% | 19509.31 | 17468.22 | 6677.86 | 38.23% |

Note:

- (i) The Plan Outlay for Xth Five Year Plan was Rs. 86984 crore which included Rs. 6331.56 crore for others.
- (ii) UMA&N—Undersee Cabling between Mainland and A&N
- TETC—Setting up of Telecom Testing and Security Certification Centre
- TAT—Technical Assistance in Telecom Sector
- (This scheme is renamed as “Technology Development and Investment Promotion (TDIP) under 11th Plan)
- DS—OFC based network for Defence Services
- } were newly introduced schemes/projects in 2006-07.

APPENDIX II

STATEMENT SHOWING 11TH PLAN ALLOCATION (2007-2012) & ANNUAL PLAN—BUDGET ESTIMATES, REVISED ESTIMATES, ACTUAL EXPENDITURE & %AGE UTILISATION FOR 2007-08, 2008-09 & 2009-10 (UPTO JULY 2009)

| Scheme/ Programme | Eleventh Plan (2007-2012) | | | 2007-08 | | | 2008-09 | | | 2009-10 | | |
|----------------------|-----------------------------------|----------|----------|--------------------------------|--------|----------|----------|--------------------------------|---------|-------------------------|---------------------|--------|
| | Allocation (at current prices) | | | | | | | | | | | |
| | BE | RE | Actuals | %age utilisation wrt. RE | BE | RE | Actuals | %age utilisation wrt. RE | BE | Exp. up to July 2009 | %age utilisation | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| BSNL | 80607.78 | 22881.00 | 14065.00 | 7239.43 | 51.47% | 18591.00 | 17891.00 | 10876.00 | 60.79% | 14015.00 | 3115.71 | 22.23% |
| MTNL | 8636.31 | 2309.00 | 1692.33 | 932.46 | 55.10% | 2430.97 | 1304.28 | 871.12 | 66.79% | 1725.02 | 181.76 | 10.54% |
| ITI | 0.00 | 0.00 | 0.00 | 0.00 | — | 0.00 | 0.00 | 0.00 | — | 0.00 | 0.00 | — |
| C-DOT (IR) | 337.47 | 31.97 | 31.97 | 21.96 | 68.69% | 37.63 | 29.96 | 29.96 | 100.00% | 45.00 | 2.56 | 5.69% |
| (I) Total IEBR | 89581.56 | 25221.97 | 15789.30 | 8193.85 | 51.89% | 21059.60 | 19225.24 | 11777.08 | 61.26% | 15785.02 | 3300.03 | 20.91% |
| ITI | 105.87 | 1.00 | 1.00 | 0.00 | 0.00% | 0.00 | 0.00 | 0.00 | — | 1.00 | 0.00 | — |
| WMO | 124.42 | 15.00 | 6.38 | 0.00 | 0.00% | 15.00 | 15.00 | 4.15 | 27.67% | 15.00 | 0.26 | 1.73% |

(Rs. in crores)

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|----------------|----------|----------|----------|---------|---------|----------|----------|----------|---------|----------|---------|--------|
| WPC | 12.89 | 11.40 | 16.92 | 8.25 | 48.76% | 4.00 | 9.70 | 3.69 | 38.04% | 1.00 | 0.43 | 43.00% |
| TRAI | 16.97 | 3.00 | 8.00 | 3.00 | 37.50% | 10.00 | 10.00 | 3.00 | 30.00% | 10.00 | 3.30 | 33.00% |
| TDSAT | 9.05 | 1.25 | 1.25 | 1.15 | 92.00% | 1.00 | 1.30 | 1.30 | 100.00% | 1.00 | 0.31 | 31.00% |
| TEC | 56.55 | 20.25 | 0.45 | 0.13 | 28.89% | 10.00 | 1.01 | 0.08 | 7.92% | 8.00 | 0.00 | 0.00% |
| C-DOT | 740.84 | 129.10 | 99.00 | 96.00 | 96.97% | 153.00 | 121.82 | 109.00 | 89.48% | 300.00 | 44.00 | 14.67% |
| TETC | — | 6.00 | 4.00 | 0.00 | 0.00% | 5.00 | 3.00 | 3.01 | 100.33% | 5.00 | 0.00 | 0.00% |
| UMA&N | 204.72 | 1.00 | 1.00 | 0.00 | 0.00% | 5.00 | 0.00 | 0.00 | — | 61.00 | 0.00 | — |
| TDIP | 28.28 | 2.00 | 4.00 | 3.66 | 91.50% | 2.00 | 2.00 | 1.60 | 80.00% | 3.00 | 0.00 | 0.00% |
| DS | 452.42 | 150.00 | 108.00 | 108.00 | 100.00% | 170.00 | 561.17 | 561.17 | 100.00% | 26.00 | 0.20 | 0.77% |
| (II) Total GBS | 1752.01 | 340.00 | 250.00 | 220.19 | 88.08% | 375.00 | 725.00 | 687.00 | 94.76% | 431.00 | 48.50 | 11.25% |
| Grand Total | 91333.57 | 25561.97 | 16039.30 | 8414.04 | 52.46% | 21434.60 | 19950.24 | 12464.08 | 62.48% | 16216.02 | 3348.53 | 20.65% |

Note: Setting up of Telecom Testing and Security Certification Centre (TETC scheme) is made part of C-DOT scheme. Hence the 11th Plan allocation is included in the C-DOT's allocation.

STANDING COMMITTEE ON INFORMATION TECHNOLOGY

MINUTES OF THE FIFTH SITTING OF THE COMMITTEE

The Committee sat on Friday, the 30th October, 2009 from 1500 hours to 1700 hours in Committee Room 'A', Parliament House Annexe, New Delhi.

PRESENT

Shri Rao Inderjit Singh—*Chairman*

MEMBERS

Lok Sabha

2. Shri Nikhil Kumar Choudhary
3. Shri Milind Deora
4. Smt. Darshana Jardosh
5. Shri Sadashivrao Dadoba Mandlik
6. Shri Inder Singh Namdhari
7. Shri Abdul Rahman
8. Shri Tathagata Satpathy
9. Shri Adhalrao Patil Shivaji
10. Dr. Bhola Singh
11. Shri Sushil Kumar Singh
12. Shri C. Sivasami

Rajya Sabha

13. Shri Dharam Pal Sabharwal
14. Shri Ravi Shankar Prasad
15. Shri Prabhat Jha
16. Shri P. Rajeeve
17. Shri N.R. Govindarajar
18. Shri M.P. Achuthan

SECRETARIAT

1. Shri T.K. Mukherjee — *Joint Secretary*
2. Smt. Sudesh Luthra — *Director*
3. Shri H.R. Kamboj — *Deputy Secretary*
4. Dr. Yumnam Arun Kumar — *Under Secretary*

WITNESSES

Representatives of the Department of Telecommunications

1. Shri P.J. Thomas — Secretary, DoT
2. Ms. Vijayalakshmay K. Gupta — Member (F)
3. Shri Chandra Prakash — Member (T)
4. Shri V.K. Shukla — Member (S)
5. Ms. S.A. Tirmizi — Advisor (F)
6. Shri Ajay Bhattacharya — Administrator (F), USOF
7. Shri Subodh Kumar — AS (T)
8. Dr. Ashok Chandra — Wireless Advisor
9. Shri J.S. Deepak — JS (T)
10. Shri Narendra Kumar Srivastava — Sr. DDG (TEC)
11. Shri A.K. Singh — DDG (TPF)
12. Shri Kirthy Kumar — DDG (C&A)
13. Shri Kuldeep Goel — CMD, BSNL
14. Shri R.S.P. Sinha — CMD, MTNL
15. Shri S.K. Chatttarjee — CMD, ITI
16. Shri S.R. Kapoor — Ex. Director (F), BSNL
17. Ms. Anita Soni — Director (F), MTNL
18. Shri B.P. Gupta — Director (F), ITI
19. Shri P.V. Acharya — Executive Director, C-DoT
20. Shri A.R. Sinha — Director (B&P)
21. Shri Kuldeep Singh — Director (T), MTNL

2. At the outset, the Chairman welcomed the members of the Committee and the representatives of the Department of Telecommunications to the sitting of the Committee and drew their attention to Direction 58 of Directions by the Speaker, Lok Sabha. The

Chairman, in his opening remarks, stated that the Demands for Grants (2009-10) were passed by the Parliament without being referred to the Departmentally related Standing Committees, after suspension of rule 331G of the Rules of Procedure and Conduct of Business in Lok Sabha as the said year being the election year. However, as per the ruling of the Chair in Lok Sabha, the Demands have been referred to the Standing Committees for examination and report and in this connection the representatives of the Department of Telecommunications been called for evidence.

3. Thereafter, the representatives of the Department of Telecommunications briefed the Committee and explained the various aspects pertaining to examination of Demands for Grants (2009-10) with the help of power point presentation. The various issues deliberated during the sitting included thrust areas relating to Eleventh Plan targets *viz.* network expansion, rural telephony, broadband expansion. The representatives also highlighted the revenue receipts and expenditure from the year 2003-04 to 2009-10 (upto September, 2009) and the Demands for Grants (2009-10) both for Revenue and Capital Sections highlighting plan and non-plan proposals.

4. The representatives of Department of Telecommunications responded to the issues raised by the Hon'ble Chairman in his opening remarks. The Members sought certain clarifications on the issues relating to the Demands for Grants (2009-10) of the Department and the representatives of the Department responded to the same.

5. During the course of the deliberations the members raised the various issues relating to the allocation of 2G and 3G spectrum to which the information was not readily available with the representatives of the Ministry. The Committee, therefore, decided that the issues on which the deliberation remained inconclusive, would be taken up at the next sitting of the Committee.

6. The Secretary was requested to furnish the written replies to the supplementary list of points on which the information was not readily available as well as a status note giving the detailed perspectives of allocation of 2G and 3G spectrum.

A copy of verbatim proceedings of the sitting has been kept.

The Committee then adjourned.

MINUTES OF THE SIXTH SITTING OF THE STANDING
COMMITTEE ON INFORMATION TECHNOLOGY (2009-10)

The Committee sat on Thursday, the 12th November, 2009
from 1530 hours to 1740 hours in Committee Room No. 62,
Parliament House Annexe, New Delhi.

PRESENT

Shri Rao Inderjit Singh—*Chairman*

MEMBERS

Lok Sabha

2. Shri Rajendra Agrawal
3. Shri Nikhil Kumar Choudhary
4. Smt. Darshana Jardosh
5. Shri Mithilesh Kumar
6. Shri Inder Singh Namdhari
7. Shri Abdul Rahman
8. Shri Prem Das Rai
9. Shri Tufani Saroj
10. Dr. Bhola Singh
11. Shri Dhananjay Singh
12. Shri Sushil Kumar Singh
13. Shri C. Sivasami

Rajya Sabha

14. Prof. Alka Balram Kshatriya
15. Shri Dharam Pal Sabharwal
16. Shri Ravi Shankar Prasad
17. Shri Prabhat Jha
18. Shri P. Rajeeve
19. Shri Shriram Pal
20. Shri N.R. Govindarajar
21. Shri M.P. Achuthan
22. Shri Rajkumar Dhoot

SECRETARIAT

- | | | |
|------------------------|---|-------------------------|
| 1. Shri T.K. Mukherjee | — | <i>Joint Secretary</i> |
| 2. Smt. Sudesh Luthra | — | <i>Director</i> |
| 3. Shri H.R. Kamboj | — | <i>Deputy Secretary</i> |

WITNESSES

Representatives of the Department of Telecommunications

- | | | |
|--------------------------------|---|---------------------------|
| 1. Shri P.J. Thomas | — | Secretary, DoT |
| 2. Ms. Vijayalakshmay K. Gupta | — | Member (F) |
| 3. Shri Chandra Prakash | — | Member (T) |
| 4. Shri V.K. Shukla | — | Member (S) |
| 5. Shri Ajay Bhattacharya | — | Administrator (F), USOF |
| 6. Shri Subodh Kumar | — | AS (T) |
| 7. Dr. Ashok Chandra | — | Wireless Advisor |
| 8. Shri J.S. Deepak | — | JS (T) |
| 9. Shri A.K. Singh | — | DDG (TPF) |
| 10. Shri Kirthy Kumar | — | DDG (C&A) |
| 11. Shri A.K. Srivastava | — | DDG (As-I) |
| 12. Shri Nitin Jain | — | DDG (DS) |
| 13. Shri Kuldeep Goel | — | CMD, BSNL |
| 14. Shri R.S.P. Sinha | — | CMD, MTNL |
| 15. Shri R.K. Gupta | — | Director (As-I) |
| 16. Shri P.V. Acharya | — | Executive Director, C DoT |
| 17. Shri A.R. Sinha | — | Director (B&P) |
| 18. Shri B. Pathak | — | ADG (Budget) |
| 19. Shri Subhash Kesharvani | — | ADG (IT-II) |
| 20. Shri Rajesh Sharma | — | Engineer |
| 21. Shri T.K. Varada Krishnan | — | Jt. Wireless Advisor |
| 22. Shri P.K. Mittal | — | DDG (AS-II) |

2. At the outset, the Chairman welcomed the members of the Committee and the representatives of the Department of Telecommunications to the sitting of the Committee. He informed that the meeting has been convened to discuss the issue relating to the

entire perspective of 2G and 3G Spectrum which remained inconclusive and any other matter in the context of examination of Demands for Grants (2009-10) which could not be taken up during the deliberation held at the sitting of the Committee held on 30th October, 2009.

3. Thereafter, the representatives of the Department of Telecommunications explained the various aspects pertaining to allocation of spectrum with the help of power point presentation.

4. The Members sought certain clarifications on the issues relating to 2G spectrum and the representatives of DoT responded the same. The Secretary assured the Committee to furnish written replies to the issues on which the information was not readily available.

5. The Chairman, thanked the representatives of DoT for appearing before the Committee as well as for furnishing valuable information that the Committee desired in connection with examination of DFG (2009-10).

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

The Committee then adjourned.

MINUTES OF THE EIGHTH SITTING OF THE STANDING
COMMITTEE ON INFORMATION TECHNOLOGY (2009-10)

The Committee sat on Wednesday, the 16th December, 2009 from 1600 hours to 1700 hours in Committee Room 'E', Basement, Parliament House Annexe, New Delhi.

PRESENT

Shri Rao Inderjit Singh—*Chairman*

MEMBERS

Lok Sabha

2. Shri Milind Deora
3. Shri Charles Dias
4. Shri Mithilesh Kumar
5. Shri Sadashivrao Dadoba Mandlik
6. Shri Prem Das Rai
7. Dr. Bhola Singh
8. Shri Dharmendra Yadav
9. Shri Ravi Shankar Prasad
10. Shri P. Rajeeve

SECRETARIAT

1. Shri T.K. Mukherjee — *Joint Secretary*
2. Smt. Sudesh Luthra — *Director*

2. At the outset, the Chairman welcomed the Members to the sitting of the Committee.

3. ***

4. The Committee then took up for consideration the Draft Report on Demands for Grants (2009-10) relating to Department of Telecommunications (Ministry of Communications and Information Technology). After deliberations the Committee decided that the issues related to spectrum would be considered by the Committee in detail

***Matter not related to the Report.

separately. As such the Draft Report with a modification on the issue of Spectrum was adopted by the Committee.

5. The Committee, then, authorized the Chairman to finalise the above Draft Reports in the light of the factual verifications made by the concerned Ministry/Departments and present the same to the House on a date convenient to him.

The Committee then adjourned.