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**STANDING COMMITTEE ON
INFORMATION TECHNOLOGY
(2012-13)**

FIFTEENTH LOK SABHA

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

**DEMANDS FOR GRANTS
(2013-14)**

FORTY-THIRD REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 2013/ Vaisakha, 1935 (Saka)

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(2013-14)**

***Presented to Lok Sabha on 30 April, 2013
Laid in Rajya Sabha on 30 April, 2013***



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 2013/Vaisakha, 1935 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2012-13)

Shri Rao Inderjit Singh - **Chairman**
Lok Sabha

2. Shri Abdul Rahman
3. Shri Rajendra Agrawal
4. Shri Raj Babbar
5. Shri Nikhil Kumar Choudhary
- * 6. Shri Khagen Das
7. Shri A. Ganeshamurthi
8. Shri Rajen Gohain
9. Smt. Darshana Jardosh
10. Shri H.D. Kumaraswamy
11. Shri Baidya Nath Prasad Mahato
12. Shri Sadashivrao D. Mandlik
13. Dr. Thokchom Meinya
- ** 14. Dr. Prasanna Kumar Patasani
15. Shri Tapas Paul
16. Shri Radhe Mohan Singh (Ghazipur)
17. Smt. Seema Upadhyay
18. **Vacant**
19. **Vacant**
20. **Vacant**
21. **Vacant**

Rajya Sabha

22. Shri Joy Abraham
23. Shri Mohammed Adeeb
24. Shri Javed Akhtar
25. Shri Salim Ansari
26. Shri Bharatsinh Prabhatsinh Parmar
- # 27. Dr. Kanwar Deep Singh
28. Shri Sachin Ramesh Tendulkar
29. Dr. C.P. Thakur
- @ 30. **Vacant**
31. **Vacant**

Secretariat

- | | | | |
|----|-----------------------|---|---------------------|
| 1. | Shri Brahm Dutt | - | Joint Secretary |
| 2. | Shri N.C. Gupta | - | Director |
| 3. | Shri Ajay Kumar Garg | - | Additional Director |
| 4. | Shri Shangreiso Zimik | - | Executive Officer |

* Nominated to the Committee w.e.f. 13.12.2012 vide Shri Ramsinh Rathwa, vide Lok Sabha Bulletin Part –II dated 13.12.2012.

** Nominated to the Committee w.e.f. 09.01.2013 vide Lok Sabha Bulletin Part-II dated 09.01.2013.

Nominated to the Committee w.e.f. 28.03. 2013 vide Rajya Sabha Bulletin Part-II dated 01.04.2013

@ Shri Rajkumar Dhoot, M.P. Rajya Sabha resigned on 11.02.2013 from Committee.

ABBREVIATIONS

AGR	Aggregate Gross Revenue
BBNL	Bharat Broadband Network Limited
BE	Budget Estimates
BRPSE	Board for reconstruction of Public Sector Enterprises
BSNL	Bharat Sanchar Nigam Limited
BTS	Base Transmission Station
CDMA	Core Divisional Multiple Access
C-DoT	Centre for Development of Telematics
CDR	Call Detailed Record
CMD	Chief Managing Director
DoT	Department of Telecommunications
EMF	Electro Magnetic Frequency
GBS	Gross Budgetary Source
GSM	Global System for Mobile
IEBR	Internal and Extra Budgetary Resources
IMT	International Mobile Telecommunications
IPR	Intellectual Property Right
ITI	Indian Telephone Policy
LWE	Left Wing Extension
MNP	Mobile Number Portability
MoF	Ministry of Finance
MTNL	Mahanagar Telecom Nigam Limited
NE	North East
NGN	Next Generation Network
NICF	National Institute of Communication Finance
NOFN	National Optical Fibre Network
NPR	National Population Registrar
NTP	National Telecom Policy
OSP	Other Service Providers
PIU	Project Implementation Unit
PSU	Public Sector Undertaking
R&D	Research and Development
RE	Revised Estimates
SAR	Specific Absorption Rate
TDSAT	Telecom Disputes Settlement and Appellate Tribunal
TEC	Telecom Engineering Centre
TERM	Telecom Enforcement Resource Monitoring
TETC	Telecom Testing and Security Certification Centre
TRAI	Telecom Regulatory Authority of India
TSR	Telecom Service Provider
UAL	Universal Access License
USO	Universal Service obligation
UT	Union Territories
VRS	Voluntary Retirement Scheme
WMO	Wireless Monitoring Organisation
WPC	Wireless Planning Coordination

INTRODUCTION

I, the Chairman, Standing Committee on Information Technology (2012-13) having been authorized by the Committee to submit the Report on their behalf, present this Forty-third Report on Demands for Grants (2013-14) of the Ministry of Communications and Information Technology (Department of Telecommunications).

2. The Standing Committee on Information Technology (2012-13) was constituted on 31st August, 2012. 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 year 2013-14 which were laid on the Table of the House on 18th March, 2013. The Committee took oral evidence of the representatives of the Department of Telecommunications on 25th March, 2013.

4. The Report was considered and adopted by the Committee at their sitting held on 17^h April, 2013.

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. The Committee would also like to place on record their deep sense of appreciation of the valuable assistance rendered to them by the officials of Lok Sabha Secretariat attached to the Committee.

7. 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
23 April, 2013
03 Vaisakha, 1935 (Saka)

RAO INDERJIT SINGH
Chairman
Standing Committee on
Information Technology

REPORT

PART I NARRATION ANALYSIS CHAPTER I

INTRODUCTORY

1.1 Telecommunications has evolved as a basic infrastructure like electricity, roads, water, etc. and has also emerged as one of the critical components of economic growth required for overall socio economic development of the country. The Indian telecom sector has registered a phenomenal growth during the past few years and has become second largest telephone network in the world, only after China. A series of reform measures by the Government, the wireless technology and active participation by private sector played an important role in the exponential growth of telecom sector in the country. National Telecom Policy-2012 (NTP-2012) has been announced in the year 2012 with the primary objective of maximizing public good by making available affordable, reliable and secure telecommunications and broadband services across the entire country.

1.2. There is tremendous scope for further expansion in telecommunications, especially with the introduction of 3G services. Telecommunications, and the associated increase in Internet connectivity is clearly a productivity enhancing development, and India is well placed to benefit from this.

1.3. The Department of Telecommunications (DoT) is responsible for formulation of Telecom Policy of the Country. It also carries out important functions such as international cooperation, wireless spectrum management, 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 looking after the various programmes/schemes carried out by its different wings as well as the various Universal Service Obligation (USO) activities carried out with the help of Universal Service Obligation Fund (USOF). Another important function is to look after the matters relating to its Public Sector Undertakings (PSUs), Autonomous and Regulatory Bodies and is also responsible for the administration of the Indian Telegraph Act, 1885, Indian Wireless Telegraphy Act, 1933 and Telecom Regulatory Authority of India Act, 1997.

1.4. The Internal and Extra Budgetary Resources (IEBR) of the PSUs i.e. BSNL and MTNL 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 Disputes Settlement and Appellate Tribunal (TDSAT), Centre for Development of Telematics (C-DoT), and the five Departmental projects i.e. Setting up of Telecom Testing and Security Certification Centre (TETC), Technology Development and Investment Promotion (TDIP), Optical Fibre Cable based network for Defence Services (DS), etc.

1.5. The Committee in this Report have *inter-alia* analysed the position of Outlay and the expenditure, particularly, the performance of the Plan schemes which are carried out with the IEBR, GBS and USOF component of the Plan Outlays in examining of Demands for Grants 2013-14 of DoT.

CHAPTER II

STATUS OF IMPLEMENTATION OF THE RECOMMENDATIONS CONTAINED IN THEIR THIRTY-FIRST REPORT (FIFTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY ON DEMANDS FOR GRANTS (2012-13) OF THE DEPARTMENT OF TELECOMMUNICATIONS.

1.6. The Standing Committee on Information Technology presented the Thirty-first Report on Demands for Grants (2012-13) of the Department of Telecommunications to Lok Sabha/Laid on the Table of Rajya Sabha on 2nd May, 2012.

1.7. The Forty-first Report on action taken by the Government on the Recommendations/ Observations of the Committee contained in the Thirty-first Report was presented to Lok Sabha on 18th December, 2012 and was laid on the Table of Rajya Sabha on the same day. Out of 34 recommendations made by the Committee in the said Report, 21 recommendations were accepted by the Government. The Committee did not desire to pursue on 02 recommendations. Replies to 06 recommendations were found to be interim, to which the Ministry was requested to furnish the final action taken replies. Replies to 05 recommendations were not accepted by the Committee which were reiterated in the Forty-first Report. The Department of Telecommunications have not furnished their final Action Taken Statement on the recommendations contained in the Thirty-first Report of the Committee.

1.8. The statement indicating the status of implementation of the recommendations under Direction 73A of the Direction by the Speaker, Lok Sabha was made by the Minister in the House on 6th March, 2013.

CHAPTER III

12th FIVE YEAR PLAN-ALLOCATION AND PLANNING

1.9. As per DoT the Twelfth Plan Programmes for the telecom sector were guided by the NTP-2012. The thrust of NTP 2012 is on raising the competitiveness of Indian telecom sector, to make it a world leader, while at the same time making available a variety of services on a single platform utilising the technological advancements taking place in the sector. Spectrum, which is an important input has been a limited and reusable resource. With the introduction of new technologies, high bandwidth applications and increasing user base, there will be a requirement of significant amount of additional spectrum.

1.10. The Department has furnished the following information with regard to the proposed and approved IEBR+ GBS for the entire 12th plan as under:-

	Proposed/Sought	Approved by the Planning Commission
GBS	77221.23	20825.00
IEBR	51285.40	51285.00
Total 12th Plan	128506.63	72110.00

(Rs in Crores)

1.11. Targets set by DoT for the Twelfth Plan are as under:-

- Provision of 1200 million connections by 2017
- Mobile access to all villages and increase rural teledensity to 70 per cent by 2017
- Broadband connection of 175 million by 2017
- Commissioning of National Optical Fibre Network (NOFN)
- Make available additional 300 MHz of spectrum for IMT services
- Making India a hub for telecom equipment manufacturing by incentivising domestic manufacturers with thrust on IPR, product development and commercialisation
- Provide preferential market access for indigenously manufactured products
- To increase domestic manufactured products in telecom network to the extent of 60 per cent with value addition of 45 per cent by 2017
- Adoption of green policy in Telecom and incentivise use of renewable energy sources

CHAPTER IV
ANALYSIS OF DEMANDS FOR GRANTS OF THE DEPARTMENT OF TELECOMMUNICATIONS FOR 2013-14

1.12. The Department of Telecommunications presented Demand No.14 for the financial year 2013-14 on 18th March, 2013. The Plan and Non-Plan provisions made in the Revenue and the Capital Sections of the Budget are as under;-

Demand No.14

(Rs. In Crore)

	Plan	Non-Plan	Total
Revenue Section	6289.72	5903.14	12192.86
Capital Section	2510.28		2510.28
Grand Total	8800.00	5903.14	14703.14

1.13. A statement showing the Budget Estimates for the year 2013-14 vis-a vis the Budget Estimates/Revised Estimates(BE/RE) of 2012-13 is given as under:-

Revenue Section

(Rs in crores)

Head	BE 2012-13		RE 2012-13		BE 2013-14	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
REVENUE SECTION						
Secretariat	0.00	7.06	0.00	6.53	0.00	7.00
DOT Directorate	0.00	316.21	0.00	298.29	0.00	189.00
Administrator, USO Fund	0.00	4.32	0.00	3.91	0.00	4.05
VTM	0.00	42.11	0.00	26.62	0.00	29.04
TEC	0.00	13.68	0.00	13.94	0.00	54.30
C-DOT	214.10	0.00	135.00	0.00	222.90	0.00
WPC	6.50	5.39	1.20	7.51	1.30	7.98

WMO	1.65	25.77	0.50	22.76	1.22	26.00
International Cooperation	0.00	22.01	0.00	20.81	0.00	24.26
Financial Relief to ITI Ltd	0.00	0.00	0.00	130.00	0.00	0.00
Compensation to ITI	0.00	6.00	0.00	7.10	0.00	7.00
TRAI	20.00	35.00	20.00	41.00	22.00	35.00
TDSAT	1.50	10.49	1.50	10.41	1.50	0.00
Pension	0.00	4806.00	0.00	5100.00	0.00	5508.00
Transferred to USOF	3000.00	0.00	625.00	0.00	3000.00	0.00
Compensation to Service Providers	2689.10	0.00	553.05	0.00	2697.00	0.00
TETC	1.00	0.00	0.00	0.00	0.00	0.00
TDIP	1.50	0.00	1.50	0.00	1.50	0.00
HRM for IP&TA&FS	10.99	0.00	6.00	0.00	12.00	0.00
Tribal Sub Plan (TSP)	11.10	0.00	5.99	0.00	14.50	0.00
North East Region	335.00	0.00	86.95	0.00	329.00	0.00
Total -Revenue Section	6293.34	5294.04	1430.70	5688.88	6289.72	5903.14

Capital Section

(Rs. in crores)

Head	BE 2012-13		RE 2012-13		BE 2013-14	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
CAPITAL SECTION						
OFC based network for Defence Services	1218.30	0.00	1366.20	0.00	2180.50	0.00
TEC	13.50	0.00	1.80	0.00	11.00	0.00
WMO	50.35	0.00	2.65	0.00	43.58	0.00
WPC	0.50	0.00	0.30	0.00	0.20	0.00

Loan to ITI	0.01	0.00	0.00	0.00	0.01	0.00
Investments in BBNL	60.00	0.00	60.00	0.00	0.00	0.00
Physical Infrastructure for National Institute for Communication Finance	19.00	0.00	4.00	0.00	23.99	0.00
North East Region	145.00	0.00	152.35	0.00	251.00	0.00
Total -Capital Section	1506.66	0.00	1587.30	0.00	2510.28	0.00
GRAND TOTAL	7800.00	5294.04	3018.00	5688.88	8800.00	5903.14

1.14. The proposed outlay, Budget Estimates, Revised Estimates and Actuals during the last two years and BE for 2013-14 for both Internal and Extra Budgetary Resources (IEBR) and Gross Budgetary Support (GBS) are as follows:-

(Rs. In crore)

Year	Proposed	BE	RE	Actuals	Percentage of utilisation w.r.t. RE
2011-12	19483.34	19881.09	11878.07	6290.81	52.96
2012-13	17199.33	15231.39	8286.48	4619.11(upto Feb, 2013)	55.74
2013-14	30979.52	12239.93			

1.15. From the above data, it can be observed that there is a huge variation between the BE, RE and Actuals in each of the last two years. During 2011-12, the allocation at BE was Rs. 19881.09 crore which was reduced to Rs. 11878.07 crore at the RE stage and the actual utilisation was only Rs. 6290.81 crore. In percentage term, it was 52.96 percent only with reference to RE and 31.64 percent only with reference to BE. During the year 2012-13 again, the allocation at RE was reduced to Rs. 8286.48 crore from Rs. 15231.39 crore of the BE allocation and the actual utilisation was only Rs. 4619.11 crore (upto February, 2013).

1.16. When asked about the reasons for the mismatch between the proposed outlay, BE and RE during the year 2011-12 and 2012-13, the Department in the written reply stated as under:

"The Plan allocations (GBS) are made by the Planning Commission on the basis of the Annual Plan proposals submitted by the Department.

The final Annual Plan allocation (BE) is at the discretion of the Planning Commission. At the RE stage the revised Plan allocations are made by the Ministry of Finance.

While granting the revised allocations under both Plan and Non Plan the Ministry of Finance takes into consideration the up to date expenditure on each item/scheme and also the overall fund position which are to be allocated amongst the various ministries."

1.17. From the data furnished above, it was observed that during the year 2013-14, the Department proposed IEBR+GBS of Rs. 30979.52 crore. However, Planning Commission allocated only Rs. 12239.93 crore at the BE stage. When the Department was asked about the reasons for the massive gap between the proposed and BE allocation, the Department in the written reply submitted as under:-

"Out of the total Annual Plan Proposal 2013-14 of Rs 30979.52 crore an amount of Rs 6439.93 crore was proposed as IEBR of PSUs (BSNL, MTNL & C-DoT) which was approved by the Planning Commission since IEBR is out of the internal revenue generation of these units and no funds are allocated by the Planning Commission. However, in respect of GBS an amount of Rs 24539.59 crores was proposed whereas only an amount of Rs 5800.00 crores was allocated by the Planning Commission. The main items of expenditure proposed and finally allocated by the Planning Commission under GBS is as given below:-

(Rs in crore)		
Scheme/Unit	Proposed	Allocation
USOF	15804.00	3000.00
DS Network scheme	6350.00	2425.00
ITI	1453.00	0.01
TRAI	525.00	22.00

In respect of IEBR the amount proposed by the PSUs/Department is always agreed by the Planning Commission since the approval of IEBR does not constitute actual grant/allocation of funds by the Planning Commission.

However in respect of GBS the allocation of funds is at the discretion of the Planning Commission, which also takes into consideration the availability of funds at its disposal and the previous expenditure trends of the scheme/unit amongst other conditions.

The funds allocated for USOF (including NOFN) would not be sufficient and the MoF would be requested to provide the same at the RE stage."

1.18. When the Committee enquired about the measures taken by the Department to effectively utilize the allocation made under GBS during the year 2013-14, the Department in their written reply stated that the main schemes for which GBS has been allocated for 2013-14 are USOF schemes and the Defence Services Network Scheme. The allocation of USOF would be utilized fully and additional funds would be sought for NOFN project and for making payment to BSNL for the activity "Sustenance of Rural Wireline Connections installed by BSNL before 01-04-2002" which has been recommended by TRAI. As far as the utilization of funds allocated for the Defence Services Network is concerned the pace of expenditure would pick up once the tender for the same is floated by BSNL which is most likely due in March 2013.

1.19. The Department also provided the Unit/Scheme wise allocation and utilisation of funds during 2012-13 under IEBR and GBS as under:

IEBR of PSUs

(Rs in Crores)

Scheme/Unit	Budget Estimate	Revised Estimate	Actual Exp. Up to Feb. 13
IEBR of PSUs			
BSNL	9504.00	5409.00	2148.85
MTNL	887.39	444.48	224.00
ITI	0.00	0.00	0.00
C-DOT (IR)	40.00	40.00	25.78
Sub-total IEBR	10431.39	5893.48	2398.63

Gross Budgetary Support (GBS)

(Rs in Crores)

Scheme/Unit	Budget Estimate	Revised Estimate	Actual Exp. Up to Feb. 13
ITI	0.01	0.00	0.00
WMO	58.00	3.50	3.97
WPC	7.00	1.50	0.02
TRAI	20.00	20.00	20.00
TDSAT	1.50	1.50	0.56
TEC	15.00	2.00	0.00
C-DoT	250.00	150.00	130.00
TETC	1.00	0.00	0.00
TAT (TDIP)	1.50	1.50	0.29
DS	1356.00	1518.00	1355.18
NICF	29.99	10.00	5.46
USOF	3000.00	625.00	625.00
SPV for NOFN	60.00	60.00	60.00
Sub-Total GBS	4800.00	2393.00	2220.48
Total Plan IEBR + GBS)	15231.39	8286.48	4619.11

1.20. When the Committee enquired about the reasons for the under-utilisation of IEBR during 2012-13, the Department in the written reply stated that it was mainly on account of lower expenditure of IEBR by the PSUs.

1.21. The Committee were also informed by the Department that main reasons for underutilization by BSNL are due to lower capital expenditure than anticipated on expansion of capacity for GSM Equipment, Procurement of NGN equipment, UG Cables & Telephone Instrument, Procurement of Broadband equipment, and Procurement of OF Cable & Transmission equipment. BSNL has adopted e-tendering to introduce transparency and reducing time for finalization of tender. The generation of internal resources was also affected due to market conditions and hyper-competition in the telecom sector.

CHAPTER V

Revenue Receipts of the Department

1.22. As per the information furnished to the Committee, the Department in the Annual Report (2012-13) had stated that the license fee and the spectrum charges collected from the Telecom Service Providers are a major source of non-tax revenue to the Government of India. Amount collected during the last three years on this account is as under:

(Rs. In crore)

	2009-10	2010-11	2011-12	2012-13 (upto 3 rd Quarters)	Anticipated (January to March, 2013)
License Fee	9,778.52	10,286.44	11,790.93	5,749.42	5,582.85
Spectrum Charges	3,809.54	3,433.23	5,192.30	5,912.04	1397
Auction Revenue		10,62,64.73		1,722.24	

1.23. On being asked about the items in addition to the above sources on which the Department earns revenue, the Department in the written reply stated as under:-

“In addition to the above referred sources of revenue i.e. LF, Spectrum Charges and Revenue through auction of Spectrum, the other source of revenue for the Department is the dividend payment received from the PSUs. The year wise amount of dividend received by the Department during the last 3 years is as given below:

(Rs. in crore)

Year	Amount	Reason for increase / decrease
2009-10	72.18	Decrease is due to loss incurred by the PSUs/ lower profit margins of the companies
2010-11	4.32	
2011-12	19.21	
2012-13	16.50	

Additionally, the following are the other sources of revenue generated by virtue of carrying out the functions such as rollout and EMR Testing and Registration of Other Service Providers (OSP). The details are as under:

- i. Roll out Testing: Till 31st Dec 2011, an amount of Rs 39 Crores (approx.) have been collected as testing fee so far.
- ii. EMR Testing: Till 31st Dec 2011 Rs 13 Crores (approx.) have been collected as testing fee since Nov 2010.
- iii. Registration of Other Service Providers (OSPs): Rs 1.7 Crores (approx.) have been collected as registration fee so far.
- iv. MNP A/T: Rs 12 Crores (approx.) have been collected as testing fee since Nov' 2011.”

One time spectrum charges have been levied on Telecom Service Providers(TSPs) for holding spectrum beyond 4.4/6.2 MHz in respect of GSM operators and beyond 2.5 MHz in respect of CDMA operators. The amount involved is Rs. 23177.66 Crore and 3032.20 Crore respectively. The GSM operators have moved the petitions against the demands and have got the stay from various Hon'ble High Courts and TDSAT. The due date for payment by CDMA operators is 10th April, 2013."

1.24 On the query of the Committee about the measures taken by the Department to increase its revenue and the scope identified for future growth, the Department in the written reply inter-alia stated as under:-

"The National Telecom Policy (NTP-2012) envisages delinking of spectrum in respect of all future licences and making spectrum at a price determined through market related processes.'

A. Recoveries from Telecom Operators under Special Audit

1.25 Taking note of the media reports that the DoT has started issuing notices to recover around Rs. 863 crore from telecom operations, which was found to have allegedly under reported their revenue for the period between 2006 and 2008, the Committee enquired about the status of recovering the amount from telecom operators. To this, Department replied as under:-

"The Department of Telecommunications had ordered Special Audit of Accounts for the years 2006-07 and 2007-08 of the five Telecom Group Companies as per the details given below. Based on Special Audit for the years 2006-07 and 2007-08 the Department of Telecommunications had raised the demand for Rs. 1846.51 Crores (Rs.896.05 Crores principal and Rs.950.46 Crore as interest up to November 2012/ February 2013). All the licensee companies have obtained stay against the enforcement of demands from Hon'ble High Court of Kerala, Hon'ble High Court of Madras, Hon'ble Agartala Bench of Guwahati High Court and Hon'ble TDSAT."

1.26 The Department has furnished details of the operators/Companies as under:-

Demands issued in November 2012.

Sl. No.	Name of the Licensee	Demand Raised on account of Special Audit Reports (Inclusive of Interest up to 30.11.2012)								
		2006-07			2007-08			Total		
		Revenue	Licence Fee	Interest	Revenue	Licence Fee	Interest	Revenue	Licence Fee	Interest
1	Reliance Communications	858.13	76.13	83.65	2544.79	227.00	236.40	3402.92	303.13	320.05
2	BhartiAirtel	565.16	48.29	51.30	1362.35	113.65	118.88	1927.51	161.94	170.18
3	Idea Cellular	232.78	17.72	19.39	616.08	47.34	49.72	848.86	65.06	69.11
4	Tata Teleserv	588.60	54.04	58.91	814.98	72.31	74.89	1403.58	126.35	133.80

	ces									
5	Tata Tele (Maharashtra)	102.05	11.97	12.65	134.65	13.46	14.02	236.70	25.43	26.67
6	Vodafone	443.49	32.32	33.39	1050.54	88.48	92.70	1494.03	120.80	126.09
	Total	2790.21	240.47	259.29	6523.39	562.24	586.61	9313.60	802.71	845.90

Demand issued in February, 2013

(Rs. In crore)

Sl. No.	Name of the Licensee	Demand Raised on account of Special Audit Reports (Inclusive of Interest upto 28.02.2013)								
		2006-07			2007-08			Total		
		Revenue	Licence Fee	Interest	Revenue	Licence Fee	Interest	Revenue	Licence Fee	Interest
1	Tata Communications	739.41	44.37	50.61	816.19	48.97	53.95	1555.60	93.34	104.56

Grand Total	3529.62	284.84	309.90	7339.58	611.21	640.56	10869.20	896.05	950.46
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1.27 When asked about the reasons for the telecom operators approaching courts and obtaining stay against the enforcement of such demand, the Committee were apprised as under:-

"The Department has raised demands on account of Special Audit as per the terms and conditions of the relevant Licence Agreements. Licence Fee is levied as a percentage of Adjusted Gross Revenue, which has been defined in the Licence Agreement. The Licensees have disputed the demand raised by the Department and approached various courts mainly on account of the following reasons:

- Revenue from Non-licensed activities should be excluded from Gross Revenue/Adjusted Gross Revenue.
- Unrealised Foreign Exchange Gains should not be included in Gross Revenue/Adjusted Gross Revenue computation.
- Some Revenue items should be netted like Foreign Exchange Gains, Distributor Margin/commission etc.
- Revenue from Opex on Infrastructure Sharing should be excluded.
- Only realised Revenue should be included in Gross Revenue/Adjusted Gross Revenue.

The various Courts/Tribunals have granted interim stay in favour of the Licensees."

1.28 On the steps taken by the DoT to ensure that telecom operators do not indulge into under reporting of revenues, the Committee were informed that while assessing the License fee dues of the telecom operators, reconciliation between the revenue reported through Statement of Revenue and License fee and revenue reported in the Audited Annual accounts

of the licensee is done. In case there is any under reported item found, it is added back in the Gross revenue reported to DoT to arrive at the AGR for the purpose of license fee. Suitable instructions are being issued to the Licensees for reporting the items indicated in the Special Audit report and not already reported in the Statement of Revenue and License Fee by the licensee. Further, to plug the scope of arbitrage due to differential rate of Licence Fee for various category of Service Areas/Licenses, the Department has introduced a Uniform Annual Licence Fee regime w.e.f. 01.04.2013 across various categories of Telecom Service Licences.”

1.29 The Committee were also informed that Clause 22.6 of the UAS License Agreement provides for special Audit of telecom licensees.

CHAPTER VI

Setting up of Specific Absorption Rate (SAR) Lab

1.30 In respect for facilities available with the DoT to verify whether the radiations linked by mobile handset devices are within the prescribed norms, the Committee were informed that SAR laboratories were planned for verification of SAR Values of mobile handsets and hand held devices, for compliance with EMF exposure limits prescribed by DoT. During 2012-13, a SAR Lab has been installed and commissioned in TEC headquarters at New Delhi to carry out audit of the SAR values of the mobile equipment as declared by the manufacturers.

1.31 The Committee were also informed that another SAR Lab at Mumbai is planned to be commissioned in the year 2013-14. Project Estimate for the same is under process. Requirement of funds for setting up the Lab is Rs. 4.00 crore, out of which Rs. 3.8827 crore are required in 2013-14. On the adequacy of the existing number of SAR Lab, the Committee found that the Department is silent on the adequacy of the SAR Lab to carry its objectives. According to DoT more labs can be considered for opening if it is felt that there is constraint of capacity.

CHAPTER VII**Procurement of EMF Measuring instruments for (Telecom Enforcement Resource and Monitoring) TERM Cells of DoT**

1.32 With the increasing concerns over harmful effects of Electromagnetic Radiation on human health, the DoT in the year 2010 decided that TERM Cells may be entrusted the work of cross checking the compliance of EMF radiation norms as prescribed by the Government. The Department informed the Committee that EMF measuring equipment are being procured for TERM Cells of DoT for carrying out the measurements of radiation levels from various BTS towers.

1.33 When the Committee enquired whether the TERM Cells are facing any shortage of EMF testing equipment in carrying out their mandate, and to provide the availability and requirement of EMF equipment as on date, the Department in the written reply has stated as under:-

"TERM Cells units, though they are not having their own EMF instruments, are able to carry out the testing to the extent feasible with the manpower available with them. As on date no EMF instrument is available with TERM Cells. However, based on the requirement, a tender for procuring 69 test instruments has already been floated and shall be opened on 12th April 2013."

1.34 In reply to query, the DoT informed the Committee that there is no adverse effect on account of non-availability of EMF test equipments.

1.35 On being asked how the testing of BTS radiation are being done in absence of EMF equipment, the Department has informed the Committee that as per DoT instructions vide letter no. 17-1/2010-SI/1 dated 2nd Nov 2010, TSPs have been mandated to provide test instruments to TERM Cell as and when required. Accordingly TERM Cells are carrying out the testing to the extent feasible with the manpower available with them by using the test instruments provided by the TSPs.

CHAPTER VIII

Setting up of Wireless Monitoring Stations

1.36 From the materials provided by the Department, the Committee observed that during 2012-13, an amount of Rs. 58.00 crore was allocated for WMO mainly for establishment of 6 additional Wireless Monitoring Stations (WMS) at Bhubaneswar, Dehradun, Lucknow, Patna, Rajpur & Vijayawada, augmentation of training facilities, upgradation of Microwave Monitoring Terminal, procurement of SHF monitoring facilities and civil works. However, at the RE stage the allocation was reduced to Rs. 3.50 crore and the actual utilisation upto February, 2013 was Rs. 3.97 crore. During the year 2013-14 a reduced amount of Rs 50 crore has been allocated for the same purpose/activities at BE stage. When the Department was asked to elaborate the importance of WMS, the Department in the written reply stated that the foremost responsibility of WMSs is to ensure interference-free operations of mobile and DTH services, amongst others, affecting millions of people in the country. Equally important for WMSs is to provide protection to safety-of-life related communications in the aeronautical and maritime mobile services. Protection to radio-communication networks of public bodies (Govt./Undertakings), security (defence, police and paramilitary organisations), and numerous networks of other agencies also carry high priority with the WMO.

1.37. The Committee were also informed that the Wireless Planning & Coordination Wing/Wireless Monitoring Organization in the Ministry of Communications and IT is the national nodal agency for spectrum management in India and represents India at international for a such as International Telecommunication Union (ITU), Geneva & Asia Pacific Telecommunity, on radio communication matters.

1.38. It was also stated that Wireless Monitoring Organization (WMO), a field unit of the Wireless Planning & Coordination Wing (WPC Wing), is entrusted to ensure that interference to wireless networks, which may occur for a variety of reasons, is immediately resolved. Another major area of responsibility of the WMO is to enforce the adherence to statutory and regulatory provisions of both the national and international origins. To ensure spectrum availability for the introduction of new wireless networks is yet another concern of the WMO. Conduct of examination for the certification of individuals, required to perform wireless communication as in civil aviation, maritime service and amateur radio service, is a statutory responsibility of the WMO, which concerns public at large. Providing assistance to wireless users and the foreign administrations also comes under the domain of responsibility of the WMO.

Lastly, specialised measurements, relating to or having bearing on radio emissions, calls for the services of the WMO.

1.39 To carry out its responsibilities, WMO operates a country-wide network of 28 Wireless Monitoring Stations. The existing twenty seven WMSs are dedicated to terrestrial radio monitoring and one to satellite monitoring. Ten Inspection Units, five Radio Noise Survey Units, and four mobile Microwave Monitoring Terminals help carry out those tasks of the WMO which cannot be catered to by the Wireless Monitoring Stations.

1.40 Regarding the number of WMS planned and actually set up during the Eleventh Plan, the Department replied that six new Wireless Monitoring Stations were planned and established at Bhubneshwar, Dehradun, Lucknow, Patna, Raipur and Vijaywada under 11th Five Year Plan for which necessary infrastructure is under process. Bid document for the procurement of technical infrastructure was prepared and submitted to appropriate authorities for vetting during the 11th Five Year Plan itself. Due to the change in technology and time gap, the bid document is under revision and is to be submitted shortly to the competent authority. The Department has expressed hope that this procurement will be completed within financial year 2013-14 or latest by 2014-15 in the 12th Five Year Plan.

1.41 On the plan of the Department to set up WMS during the Twelfth Plan and strategy adopted for timely completion, the Department informed the Committee that six new Wireless Monitoring Stations are planned to be established under 12th Plan. Wireless Monitoring Organization is under process to prepare the proposal for examination by the Wireless Finance Division and subsequent approval of the Full Telecom Commission. Subsequent to the approval, the case for creation of posts for these 6 new WMSs will be taken up with Ministry of Finance. Thereafter, the case for procurement of necessary infrastructure for setting up of the WMS along with procurement of radio monitoring equipment is planned, so as to complete the process within 12th Plan.

1.42 The Department also informed the Committee that WMO has proposed the creation of Project implementation Unit (PIU) for the timely completion of the projects under the 12th FYP. Till the creation of PIU, some Officers of MHQ has been entrusted with the work of monitoring the timely implementation of projects in the 12th FYP. For the Annual Plan 2013-14 WMO has constituted a committee for the finalization of the

revised bid document which will speed up the process of procurement of technical infrastructure for six new Wireless Monitoring Stations. Similarly the draft T.C Memo for the procurement of SHF monitoring facilities is under examination in the Ministry. As regards civil works of WMO, office buildings for WMSs Jalandhar & Siliguri are under construction. The construction of office building for WMS Mangalore has already been completed and inaugurated on 14.03.2013. The case for the construction of boundary walls and office buildings of WMS Dehradun, Jammu, Goa, Raipur and Bhubaneswar is under process. Therefore, WMO is hopeful of optimum utilization of the funds allocated under Annual plan 2013-14.

CHAPTER IX

Implementation of schemes under USOF

A. Under-utilisation of funds under USOF by the Department

1.43 The Department informed the Committee that telecom development in rural areas assumes special significance as more than 70% of India's population lives in villages. There is a strong two-way co-relation between telecom development and overall economic development of a region. Telecom services are important drivers for development, delivery of public services such as education, health etc. and integration of rural areas with the rest of the country. Recognizing this, Government had announced the Universal Service Support Policy on 27th March 2002 under which a separate fund for providing access to telegraph services to people in the rural and remote areas was set up. The resources for implementation of USO are raised through a Universal Service Levy (USL) which has presently been fixed at 5% of the Adjusted Gross Revenue (AGR) of all telecom service providers except the pure value added service providers like, Voice Mail, email service providers etc. The activities being undertaken by DoT under USO are geared towards augmenting the infrastructure and increasing telecom coverage in the rural and remote areas.

1.44 The Committee were also informed that to broaden the scope of USOF and to include mobile services, broadband, general infrastructure and pilot projects for induction of new technological developments in its ambit, Indian Telegraph Rules were amended on 17-11-2006 to enable support for providing various telecom services in the rural and remote areas of the country.

1.45 The data furnished by the Department indicates that from the year 2002-03 to 2012-13 (till 31.12.2012) the total UAL collections (booked figure as per DoT A/cs) was Rs. 47273.77 crore. Rs. 15523.57 crore was allocated and disbursed through USOF, Rs. 6948.64 crore was reimbursed to BSNL as license fees and spectrum charges during 2002-03 to 2005-06 for fulfilling rural obligation. The available balance is Rs. 24801.56 crore as on 31.12.2012.

1.46 During the year 2012-13, an amount of Rs. 3000 crore was allocated at BE stage for implementation of various USOF schemes. However, the amount was reduced to Rs. 625 crore at the RE stage and the actual utilisation upto February was Rs. 625 crore.

1.47 Similarly, during the year 2013-14, an amount of Rs. 3000 crore has been allocated for the implementation of various schemes under USOF. Out of this,

Rs. 2500 crore has been allocated for implementation of National Optical Fibre Network and Rs. 500 crore for implementation of other schemes under USOF.

1.48 When asked to suggest measures for better administration and accountability of funds available under USOF, DoT stated in a written reply that with the implementation of a new scheme i.e. National Optical Fibre Network' (NOFN) for providing broadband connectivity to Panchayats with a financial outlay of Rs. 20,100 crore and implementation of Mobile Tower in Left Wing Extremism (LWE) affected areas at an estimated sum of Rs. 3060/- crore by utilizing the USO Fund; the bulk of the accruals to USOF over the years would be utilised in the near future.

1.49 The Secretary during the course of evidence also stated as under:-

"Sir, I agree with you that on the USO Fund utilisation and on the coverage, there is certainly room for improvement."

B. Wireline Broadband connectivity in Rural and Remote Areas

1.50 With regard to providing wireline Broadband connectivity in Rural and Remote Areas, the Department informed the Committee during the evidence that out of the target of providing 8,88,832 wireline broadband connections for 5 years from January, 2009, the achievements as on December, 2012 was 4,33,018. During the similar period, the achievements with regard to providing wireline Broadband Kiosks were 10,713 against the targets of 28,672.

1.51 When the Committee enquired about the reasons for not achieving the targets, the representative of the Department during evidence stated as under:-

"I concede this point that achievement is far below the expectation. Our work in USOF is done through the medium of service providers. In this particular case, it is the BSNL, which has been given the target of around 8,88,000 Broadband Wire Line Connections."

1.52 The witness also explained the preference of the people in rural areas as under:-

"I would like to mention one thing here that in rural areas the penchant for taking a connection is less, but the penchant to use public access points is higher..... There is also a national scheme under the Department of Information Technology called the Common Service Center, which is also in the nature of public access points for accessing internet along with getting the Government to citizen service. The targets there are almost lakh plus and it is now revised to about 2.5 lakh in the DIT scheme. Since they provide Government to Citizen services and it is working through a model where the village level entrepreneur is running it. Those types of kiosks seem to find a higher degree of favour with the public. BSNL own experience with running the Wire Line Broadband Kiosk is

that they have tried to set it up through the exchanges. Some of them are in the exchanges but they have not been able to motivate village level entrepreneurs to that extent through their mechanism”.

1.53 Further elaborating on the problems in implementing the scheme, he further stated as under”-

“We definitely had some difficulties with the BSNL procuring some equipment related to the wire line broadband connections and that was also one of the impediments and in the next financial year they do hope to move to a higher level of achievement.”

1.54 Elaborating on the issue, CMD BSNL during evidence also stated as under:-

“The broadband proliferation in rural areas as anywhere else depends upon the complete development of a suitable eco system. So far as access is concerned, BSNL in its almost all 28,000 rural telephone exchanges we have enabled it with broadband.”

1.55 On the reason for poor demand, he stated as under:-

On the demand side, demand is no doubt poor. So, because of various issues of supply, repair, maintenance by the various manufacturers of PCs in the rural areas, it is not taking up. At this stage it appears that there is not enough pull factor in rural areas for availing a broadband connection. For that, different government agencies, including Department of Information Technology have initiated several steps which have gone ahead.”

1.56 The Department also informed the Committee that one of the major objectives of NTP-12 is to provide affordable and reliable broadband-on-demand by the year 2015 and to achieve 175 million broadband connections by the year 2017 and 600 million by the year 2020 at minimum 2 Mbps download speed and making available higher speeds of at least 100 Mbps on demand.

1.57 Explaining it further, the Secretary, DoT stated as under:

“....I do want to bring to the notice of this hon. Committee that these targets for broadband of 175 million connections by 2017 and 600 million by 2020 include the broadband through cable and a large part of this broadband target is through the cable. In fact, I would say, more than half, if I am not mistaken. So, an important element in this whole broadband scheme is to bring in and assimilate the cable TV network into the broadband infrastructure of the country and that is what the policy is also driving towards.

As far as broadband is concerned, other than cable, we expect that in the country, a large part of the last mile activity would be through wireless, namely, 3G and 4G services.”

C. Rural Wireline Broadband connectivity in NE

1.58 With regard to providing wireline broadband connectivity in NE, it is stated that against the target of providing Broadband connections to 26,226 the achievements were only 2460. When the Committee enquired about the reason for the big gap between the target and achievements, the representative of the Department during the evidence stated that in the North East the achievement has been less than 10 per cent or about 2,460 connections. The prime reason for this is the level of connectivity in the North East, which is less than other parts of the country and USOF has come out with a scheme of OFC connectivity between district and block in the North East in three different packages, namely, the OFC connectivity for Assam. OFC connectivity for three States, which are called NE 1 Circle; and another three States, which are called NE 2 Circle. BSNL is doing the work in Assam, and RailTel is doing the work in NE1 and NE2.

D. Implementation of National Optical Fibre Networks

1.59 The Department apprised the Committee that optical fibre has predominantly reached state capitals, districts and blocks, at present. NOFN is planned to connect 2,50,000 Village Panchayats through optical fibre utilizing existing fibres of PSUs viz. BSNL, RailTel and Power Grid and laying incremental fibre wherever necessary. These access providers like mobile operators, Internet Service Providers (ISPs), Cable TV operators, content providers can launch various services in rural areas. Various applications for e-health, e-education, e-governance etc. will be provided. The project was approved by Union Cabinet on 25.10.2011. The project is being funded by USOF and initial estimated cost of project is Rs.20,000 crore in 2 years.

1.60 The Committee were informed that tri-partite MoU has been signed on 26-10-2012 with 13 States viz. Andhra Pradesh, Arunachal Pradesh, Chhattisgarh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Manipur, Mizoram, Rajasthan, Tripura, Uttar Pradesh, Uttarakhand and 3 Union Territories viz. Dadra & Nagar Haveli, Daman & Diu and Puducherry. A total of about 1, 40,727 Gram Panchayats will get covered by Optical Fibre Network in these States and UTs.

1.61 Three Pilot Projects have been completed to cover all Gram Panchayats of Arain Block in Ajmer District (Rajasthan), Panisagar Block in North Tripura District (Tripura), and Paravada Block in Vishakhapatnam District (A.P.). As on 15-10-2012, each of the 58 Gram Panchayats in these three Pilot Project Blocks have been provided with 100 Mbps bandwidth.

1.62 With regard to signing of MoU with the remaining states/UTs, the Committee were apprised that besides the 13 States and 3 UTs, who have signed MoU on 26.10.2012, 9 more States and 1 UT have agreed to sign the MoU. The signing event will be organized shortly. Continuous interactions at various levels are underway with remaining States/ UTs.

1.63 With regard to allocation of funds under USOF, the Department stated in the written reply that the funds allocated for USOF (including NOFN) would not be sufficient and the MoF would be requested to provide the same at the RE stage.

CHAPTER X

Analysis of the performance of PSUs: BSNL, MTNL and ITI

A. Financial performance of BSNL

1.64 The Committee observed that the profit of BSNL started declining from Rs. 10183 crore in 2004-05 before showing loss in 2009-10. The Department has furnished the total revenue earned along with the corresponding revenue loss of BSNL of the last three years as shown below:-

(Rs. in Crores)			
Particulars	2009-10	2010-11	2011-12
Income	32,045	29,688	27,934
Profit (Loss in negative)	(-) 1823	(-) 6,384	(-) 8,851

1.65 The DoT informed that the major reason for the loss of BSNL is due to decrease in revenue and increase in expenditure. Some of the reasons for the decrease in revenue are fixed to mobile substitution, stiff competition in mobile sector, frequent downward revision of tariff, outgo of Rs.18,500 crore as payment towards 3G & BWA spectrum charges resulted in reduction of Interest Income.

1.66 The DoT also stated that the reasons for the increase in expenditure are due to huge legacy work force whose salary & wages is around 50% of the revenue, inheritance of legacy wire line systems, BSNL is the vehicle for delivery of telecommunication services to rural, remote and inaccessible areas where expenditure far exceeds revenue, increase in fuel charges due to increase in price of petrol & diesel and also in repairs & maintenance costs.

1.67 On being asked by the Committee on the steps taken by BSNL to arrest the losses and increase its revenue, DoT in a written reply stated that BSNL had initiated many corrective measures to arrest the losses and increase its revenue. Some of them are setting up of Sales and Marketing team; focussing on customer care services; monetizing the huge assets of land and building, towers and bandwidth; focussing on improving the quality of network, IT set up; opening of internet data centre; identification of 45 top revenue earning telecom districts and regularly monitoring their performance, migration to Next Generation Networks. BSNL had also sent a proposal of partial surrender of BWA spectrum amounting to Rs. 6724.5 crore which is being examined by the Department.

1.68 The Committee have also been informed that as per the MoU proposed for 2013-14, the revenue target made by BSNL for the year 2013-14 is Rs. 30,000 crores.

1.69 The Department in the Action Taken Note on 31st Report had stated that due to non-augmentation of capacity because of cancellation of tenders, the market share has come down. Now, the latest 15 million tender has been finalized and POs have been placed on successful vendors, which should help in capacity augmentation in the network.

1.70 When the Committee enquired about the latest status with regard to the above tender, DoT stated in the written reply that BSNL had finalized the tender for 14.4 Million lines of GSM network for North, South & East Zones in favour of M/s. ZTE. The purchase orders for North and South zone had already been placed on the vendor for a capacity of 10.15 Million lines and the vendor has started the supply as well as installation & commissioning of GSM equipment in North and South Zones. PO for placement of order for 4.22 million lines of GSM Capacity in East Zone on the vendor is in process. For West Zone, a tender of 0.63 Million Lines has already been invited by BSNL on 24.12.2012. These orders will help BSNL in augmentation of its capacity by 12- 13 million lines during 2013-14.

1.71 Elaborating on the reasons for the declining market share of BSNL, the CMD, BSNL during the evidence stated as under:-

".... it is a fact that over past few years, the market share of BSNL has gone down. The main reason for this is that BSNL could not expand its GSM network since past five years. However, this year the expansion is in progress and we are hopeful of arresting the declining trends."

1.72 He also stated as under:-

"The issue of poor marketing is also there. But, we are handling it."

1.73 When the Committee enquired whether BSNL have planned targets for next five years to have more market share, the CMD replied as under:-

"We have plans to expand our network by 15 million lines and out of which a purchase order of 10 million lines has already been placed and supplies have commenced. For remaining lines, the purchase order is getting issued and our circles will be issuing confirmation of purchase order. So, we have planned to expand our GSM network by 15 million lines in this financial year, which would commence from 1st April. This work will be completed. If we had 15 million lines, we expect that we will at least maintain our market share. Then, the next procurement process for 50 per cent order is already in progress. With this

expansion, first, we will retain our market share and, second, we shall be able to take further market opportunities that it will present to us.”

B. Amount owed by Private Operators to BSNL

1.74 It was reported in media that Private Telecom Operators such as Bharati Airtel, Idea and Vodafone owed over Rs. 550 crore in interconnect usage charges to state owned BSNL. When the Committee enquired about the factual position in respect of the aforesaid news item and the steps taken to recover the amount from the private operators, the Department in a written reply furnished the outstanding position as on 31.01.2013 as below:-

OPERATORWISE OUTSTANDING AS ON 31/1/2013			
(In Rs. Crores)			
Name of the Operator	Gross o/s	Disputed o/s	Net o/s
BHARTI	233	215	18
RELIANCE	188	169	19
VODAFONE	95	88	7
IDEA	31	28	2
TOTAL	546	499	47
OTHERS	565	486	78
GRAND TOTAL	1111	986	125
Out of total outstanding of Rs.1111 crores to be recovered from Private Operators a sum of Rs.986 crores is sub-judice in the Hon'ble Supreme Court and TDSAT and dispute pertaining to CDR (Call Detail Record) reconciliations. The same is being pursued vigorously for an early settlement.			

C. Implementation of Mobile Number Portability

1.75 When the Committee enquired about the latest status of porting into BSNL and porting out of subscribers from BSNL to other operators, the Department in a written reply stated that the latest status of porting into BSNL and porting out of subscriber from BSNL to other operators is 1:1:4. The status of MNP as on 28.02.2013. License area wise for BSNL is as provided as under:-

S. No.	Circle	Actual Numbers Ported out	Actual Numbers Ported In	Ratio of Port out to Port in
1	Andhra Pradesh	3,40,633	4,18,156	0.8
2	Assam	12,143	7,278	2
3	Bihar including Jharkhand	63,657	19,702	3
4	Gujarat	2,19,789	71,017	3
5	Haryana	2,75,397	88,192	3
6	Himachal Pradesh	22,211	8,004	3
7	Jammu & Kashmir	601	1,151	0.5
8	Karnataka	2,35,892	1,97,442	1.2
9	Kerala	1,74,206	6,05,019	0.3
10	Kolkata Distt.	55,618	14,660	4
11	Maharashtra	2,26,228	61,455	4
12	MP including Chhattisgarh	1,16,829	54,335	2
13	NE-1 & NE2	2,959	2,048	1.4
14	Orissa	50,142	63,671	0.8
15	Punjab	3,26,436	83,174	4
16	Rajasthan	3,47,608	92,121	4
17	TN including Chennai	1,85,452	2,23,477	0.8
18	UP East	1,43,054	62,855	2
19	UP West including Uttarakhand	1,40,827	49,721	3
20	West Bengal	76,782	20,722	4
	Total	30,16,464	21,44,200	1.4

1.76 Explaining the present position of mobile number portability, the CMD of BSNL during evidence stated as under:-

"Sir, since the time mobile number portability was initially launched to till now, the rate of numbers being ported out to the numbers being ported into BSNL network has improved substantially. Currently, the all India figure for BSNL network of ratio of porting-out to porting in is 1.4. Ideally, it should be as less as possible. In fact, it should be less than one which means that more numbers are coming to your network than the numbers which are going out of your network. In our case, it is 1.4 on all India basis, cumulatively since the time the number portability was introduced till last month. It has shown consistent improvement. In fact, couple of my circles – five circles - have shown the ratio of less than one. These are in Andhra Pradesh, Jammu & Kashmir, Kerala, Odisha and Tamil Nadu, including Chennai, which have shown porting out to porting in ratio of less than one. There, more numbers have come to our network than the numbers which have gone out, but our all India figure is 1.4, which is improving continuously."

D. VRS to BSNL employees

1.77 The Committee observed that BSNL propose to offer VRS to one lakh employees to trim its mounting losses and proposal for the same is pending with the Government. According to BSNL, the main advantage of VRS will be rationalization of staff costs of BSNL. As per the proposal, total savings to BSNL over a period of 15 years on account of wages of one lakh VRS employees would be approximately Rs. 35,266 crore. Besides this, there will be additional savings on office space, electricity; stationery costs, vehicles, etc. implications of which will also be substantial.

1.78 A possible disadvantage could be in the form of denudation of talent. However, BSNL has plans for restructuring its human resource requirements and make fresh recruitments at different levels and also restructure its business processes with a view to meet that challenge.

1.79 When the Committee enquired about the status of the proposal which is being examined by DoT, the Department informed the Committee that the cost implication of the proposal of BSNL is expected to be around Rs 20,000 crore. It may not be feasible to arrange external financing of this magnitude to fund the proposal. Besides the natural process of retirement in the staff strength of BSNL is expected to bring the numbers down by around one lakh in the next 7-8 years. Therefore, the viability of VRS proposal would need to be examined from several dimensions. Seeing the complexities in the matter, a final decision is yet to be arrived. The proposal would also require consultations with Employee Unions by BSNL before a view is taken in DoT.

E. Financial position of MTNL

1.80 The Department informed the Committee that MTNL has been incurring losses since 2009. The details of the losses incurred by MTNL since 2009 are as under:-

(Rs. in crores)

Financial Year	Profit/ Loss for the year
2009-10	(-) 2610.97
2010-11	(-) 2801.92
2011-12	(-) 4109.78

1.81 When enquired about the reasons due to which MTNL has been incurring heavy losses since 2009, the Committee were informed that overstaffing, revision of wages/arrears, provision for spectrum charges, pension payment/actuarial valuation,

accounting for balance amount of USR payments, reduction in tariffs and service area constraint are the main causes for to the losses.

1.82 On the issue of MTNL to wipe off its debts, the Committee were informed that MTNL has submitted the proposal for surrendering the BWA spectrum allotted to them in 2.5-2.6 GHz band and requested the Govt. to refund the full price of Rs. 4533.99 crore paid for it by MTNL plus interest (Rs. 766.90 crore). The proposal is under consideration of the Government.

1.83 MTNL has also sought the assistance of the Government on other proposals viz. sovereign guarantee for raising long term bonds, Monetisation of Land and Buildings, Financial assistance for excess spectrum in 2G, Funding support for VRS, Creation of a Common Pension Trust for all groups of absorbed employees

1.84 With regard to utilisation of IEBR by MTNL during 2012-13, the Committee observe that an IEBR of Rs. 887.39 crore was allocated at BE during 2012-13, which was reduced to Rs. 444.48 crore at the RE stage and the actual utilisation upto February, 2013 was only Rs. 224 crore. When the Committee enquired about the reasons for under utilisation of IEBR by MTNL during 2012-13, the Committee were informed as under;-

"As regards low utilization of funds in 2012-13, it is submitted that during this year the main planned projects like GSM/3G upgradation/ expansion, upgradation / expansion of M/W backhaul network of GSM/3G, Broadband expansion and migration of legacy TDM fixed line switch to NGN/IMS based technologies have been deferred to the next year for the following reasons:

- Enough capacity in these networks was available.
- All the services were available on demand.
- MTNL is passing through severe cash flow problem and is under a serious debt burden.

With regards to lower expenditure, it is further submitted that the expected expenditures against ongoing projects could not be met despite the equipment against such projects have been installed and is in commercial use, as projects could not be closed due to some pending issues to be fulfilled/resolved by the vendor(s).

Currently, MTNL is passing through severe cash flow problem and is borrowing money to meet its day to day requirements. Therefore, it becomes important for MTNL not only to continuously review its spending but also ensure that funds are utilized judiciously."

F. Revival Plan for ITI

1.85 From the material provided by the Department, the Committee observed that during 2012-13, the amount proposed for ITI was Rs. 1002 crore, but only Rs. 1 lakh was allocated at the BE stage and the actual utilisation was Nil. Even in 2013-14, the amount proposed was Rs. 1453 crore, however, the allocation made at BE was Rs. 1 lakh only. When asked about the reasons for such a massive gap between the amount proposed and the allocation made at BE during 2012-13 and 2013-14, the Committee were informed that due to lack of orders and continuous losses, ITI is not in a position to generate internal resources to meet the planned capital expenditure. As such budgetary support was requested from the Government. The main reason for a massive gap between the outlay proposed by ITI and the amount sanctioned by the Planning Commission is due to the fact that the Revival proposal of ITI is yet to be approved by the Government and hence non-allocation of Plan outlay by the Planning Commission.

1.86 The Committee have also been informed that there are six manufacturing units of ITI. They are Bangalore, Karnataka, Palakkad, Kerala, Naini, Uttar Pradesh, Rae Bareli, Uttar Pradesh, Mankapur, Uttar Pradesh, Srinagar, Jammu & Kashmir.

1.87 The financial performance of ITI during the last four years is provided as under-
(Rs. in crore)

Year	Turnover	Profit/(Loss)
2009-10	4660	(459)
2010-11	2139	(358)
2011-12	922	(370)
(Qtr-I) 2012-13	134	(105)

1.88 When the Committee enquired about the main issues ailing ITI, the Committee were informed that the main issues ailing ITI are shift from a captive market to competitive market after the liberalization of economy in early '90s; severe competition in Telecom market particularly from Chinese Companies; decreasing trend in prices of Telecom Products; inability of in-house R&D to deliver fruitful results on account of brain drain due to outside opportunities & no fresh recruitment of permanent Engineers since year 2000, withdrawal of R&D expenditure reimbursement facility from 1990 & shortage of funds for R&D projects, fast changing technology in telecom sector etc., lack of policy support for indigenous manufacturing for last 20 years; inability to absorb overheads on account of legacy factors; reduction in orders from major customers BSNL and MTNL; ageing manpower (average age around 52 yrs)

mainly due to ban for recruitment and the skill set not in line with the changing technology; burden of huge manpower with low morale (staff strength = 8600) due to low wages and deep cut in perks; acute shortage of working capital; and outdated manufacturing infrastructure earlier created for fixed line exchange manufacturing.

1.89 On the issue of revival plan of ITI, the Committee were apprised as under:-

“ITI has been referred to BIFR in 2004 and has been waiting for the approval of its Revival Proposal by the Government. DoT constituted a Committee for finalizing the Revival Plan of ITI which has submitted its report in November 2011. This proposal envisages financial infusion of Rs 4156.79 crore to ITI. The Revised DRS (Draft Rehabilitation Scheme), as part of ITI’s Revival proposal, submitted by the Operating Agency (State Bank of India) has been approved by BIFR in November 2012. This Revival Proposal is now with BRPSE and the proposal has also been forwarded for inter- Ministerial consultation / clearance from other Departments like DPE, Planning Commission, Ministry of Law, and Department of Expenditure. On approval of the Revival plan by BRPSE, the same will be sent to CCEA for approval.”

1.90 The Committee have been further informed that as a part of Revival proposal, ITI envisages introduction of new projects/products in addition to the existing telecom/ diversified products. In the telecom arena the major products which would be included are GSM, Long Term Evolution (LTE), DWDM, Carrier Ethernet, Next Generation Networks, Managed Leased Line Networks etc. In the diversified areas, ITI has decided to address Defence orders as well as other projects/ products like National Population Register (NPR), Solar panel manufacturing, Data Center, Tablet PC manufacturing etc. ITI is also seeking support for Reservation Quota from the Government for participation in the Government funded projects like National Optical Fibre Network (NOFN), Network for Spectrum (NFS) etc.

1.91 Emphasising the need to upgrade all its plants, the Committee have been further apprised that as the Revival of ITI is linked to manufacturing of the products, it is imperative that manufacturing infrastructure is upgraded in all the plants. The Revival proposal includes the capital funding requirement for upgrading the manufacturing plants as well as absorption of new technologies. The time line for implementation of these projects is estimated to be within two years.

CHAPTER XI

National Telecom Policy 2012 (NTP 2012)

1.92 It was stated in a written reply that the vision of National Telecom Policy 2012 (NTP 2012) is to provide secure, reliable, affordable and high quality converged telecommunication services anytime, anywhere for an accelerated inclusive socio-economic development.

1.93 The Committee were informed that the New Telecom Policy 1999 has been a catalyst for growth of the telecom sector. India emerged as one of the fastest growing telecom markets in the world. The unprecedented increase in teledensity and sharp decline in tariffs in the Indian telecom sector have contributed significantly to the country's economic growth. The NTP-2012 attempts to build on the gains of NTP-1999.

1.94 The Committee were also informed that notwithstanding the economic progress over the last decade, the digital divide in the country continues to be significant. On the one hand, expansion of telecommunications in the rural areas has been slower than urban areas, with the former accounting for only 34% of the total connections. On the other, the ability of the poorer sections of the society, both in rural and urban areas, to benefit from technology needs to be enhanced. The National Telecom Policy 2012 (NTP 2012) is conceived against this backdrop.

1.95 The major thrust areas of NTP-2012 are, inter-alia as under:-

- Increase rural teledensity from the current level of around 39 to 100 by 2020
- Repositioning of Mobile phone- as an instrument of empowerment
- 'Broadband For All' at a minimum download speed of 2 Mbps, 600 million broadband connections by 2020
- Domestic Manufacturing – Making India a global hub
- Convergence - Of Network, Services and Devices
- Liberalisation of Spectrum- Any Service in Any Technology
- Simplification of Licensing regime- Unified Licensing, delinking of Spectrum from License, Resale of Services, Voice over Internet Protocol (VoIP)
- Consumer Focus - Achieve One Nation - Full Mobile Number Portability and work towards One Nation - Free Roaming.
- To recognise that cloud computing will significantly speed up design and roll out of services, enable social networking and participative governance and e-Commerce on a scale which was not possible with traditional technology solutions.
- To recognise the strategic importance of Telecom PSUs in nurturing/enhancing Government's intervention capabilities in matters of national security or international importance, including execution of bilateral projects funded by Government of India.

1.96 When enquired about the steps taken for time bound implementation of various policy initiatives made in NTP 2012, the Committee were apprised that as per the implementation schedule of the National Telecom Policy-2012 (NTP-12), as contained in the Cabinet Note on NTP -2012, the Policy will be operationalized by bringing out detailed guidelines, as may be considered appropriate.

1.97 The Committee were also apprised that Internal Committees of the Department have been constituted to work out modalities with clear timelines. An implementation plan for National Telecom Policy -2012 (NTP-12) has been formulated assigning specific areas to each Responsibility centre in DoT, incorporating clear deliverables, action plan and monitoring mechanism.

A. Free nationwide roaming and full number portability

1.98 One of the salient features of the NTP-2012 is to achieve one Nation Full Mobile Number Portability and work towards one Nation-Free Roaming it has been reported in the media that the Cabinet had cleared a proposal to allow free roaming across the country as part of the new telecom policy. It also endorsed full number portability, under which a subscriber could use the same mobile phone number in any part of the country even after changing operators. At present, MNP (mobile number portability) is applicable within a circle. Roaming charges at present are roughly double the call charges.

1.99 When the Committee enquired about the latest status with regard to the introduction of free nationwide free roaming and proposed number portability across circles, the Department in a written reply stated that with regards free nationwide roaming, TRAI has floated a consultation paper on which comments have been called up to 25.03.2013. With respect of Number Portability across circles, a reference was made by DoT to TRAI on 21.12.2012 and TRAI on 19.03.2013 has released a draft Telecommunications Mobile Number Portability (Fifth Amendment) Regulation, 2013 for Consultation.

1.100 On the likely implications on revenue receipts of the telecom operators, the Committee have been informed that the matter is under consideration by TRAI. It is difficult to make any assessment of the likely implications on revenue receipts at this stage.

B. R&D in telecom equipment manufacturing

1.101 The Committee have been informed that with a view to promote domestic telecom manufacturing industry and making India a manufacturing hub, the National Telecom Policy, 2012, *inter alia*, has the objectives to Create a corpus to promote indigenous R&D, IPR creation, entrepreneurship, manufacturing, commercialisation and deployment of state-of-the-art telecom products and services during the 12th five year plan period.

1.102 When the Committee enquired about the status of creation of the aforesaid corpus, the Department in a written reply stated that DoT has constituted an Expert Group on creation of Telecom Entrepreneurship Development, Telecom R&D and Telecom Manufacturing Promotion. The Expert Group is expected to submit report shortly.

1.103 The Department has also provided the details of import and export of telecom equipment including mobile phones and parts during the last three years as under:

SI No	Year (Apr-Mar)	Import(Rs in crore)	Export(Rs in crore)
1	2009-10	40300	13500
2	2010-11	51460	15800
3	2011-12	52441	20070

Source: DGFT & TEPC

1.104 DoT has notified preferential market access for domestically manufactured telecom products for procurement by Government departments and Government projects on 5th October 2012. Preferential market access for telecom products having security implications is under inter-ministerial consultations.

1.105 When the Committee enquired about the amount of investment made by the Department for research and development for manufacturing indigenous instruments, the Secretary, DoT during evidence stated as under:- :

“Sir, with regard to the R&D in manufacturing, there are two different aspects of this. One is with regard to R&D itself. Within the Government, the premier organisation in the DoT is the Centre for Development of Telematics (CDoT). They have an allocation of Rs. 250 crore proposed in the current Plan period, that is, 2013-2014.

Apart from the Government R&D, there is also R&D that takes place in the private sector. Today, there are at least 3-4 companies, which have also been carrying out their own R&D and coming up with different products.”

1.106 The Committee were also informed that during 11th plan, an amount of Rs. 427.65 crore was allocated for R&D of Telecom equipment and Rs. 67.06 crore was allocated for Security programmes making a total of Rs. 494.71 crore to C-DOT beside Rs. 8.00 crore allocated to Indian Institute of Science, Bengaluru to establish the pilot lab to develop standards test procedures and tools for testing of telecom equipment and security certification.

1.107 For the Twelfth Plan, an amount of Rs. 1000.00 crore has been proposed for R&D of telecom equipment and Rs. 550.00 crore has been proposed for Security projects as the part of proposed allocation to C-DOT. An amount of Rs. 300.00 crore has been proposed towards operation and maintenance of security projects like Centralized Monitoring System (CMS). Further, an allocation of Rs. 100.00 crore has been proposed for establishing the Centre for Telecom Equipment Testing and Security certification.

C. Foreign telecom equipments and related security concerns

1.108 The Minister for Communications and IT had informed Lok Sabha on 5.12. 2012 in response to Unstarred Question No. 1945 that Government is aware about the Report of Permanent Select Committee on Intelligence of US Government titled 'Investigative Report on US National security issues posed by Chinese Telecommunication Companies Huawei and ZTE'.

1.109 The Committee also note that BSNL had finalized the tender for 14.4 million lines of GSM network for North, South and East Zones in favour of M/s ZTE.

1.110 When the Committee enquired about the report of Permanent Select Committee on Intelligence of US Government, the Secretary, DoT during evidence replied as under:

".....a lot of these suppliers in every country have an interest in the Indian market because the Indian market was visualised as the fastest growing market, even faster than China, number one in the world. So, every country has vital economic interest in India's telecom sector. And in many countries, particularly in the developed countries, the manufacturers and the commercial undertakings and the government work together. It is a fact, as I mentioned, that these types of activities, of the type which you have mentioned and which the US House Committee had brought out, were observed in other countries when they used equipment belonging to western countries as well.

So, the point I am making is that these dangers will be there irrespective of where we source them from. And until we have a certain measure of capability ourselves...., or which are produced by some of the indigenous companies here, that vulnerability cannot be removed completely. I would emphasise."

1.111 On the query of the Committee regarding BSNL finalizing the tender for 14.4 million line in favour of M/s ZTE, the Secretary, DoT stated as under:-

"There is a threat no matter which foreign company or which foreign country we source sensitive telecom equipment from. The fact is that if BSNL has ended up in some cases with Chinese equipment, it is because it has come through a competitive process. In many cases it has been observed that there is a significant price differential. I do not say that security can be compromised because of price. There is no price which is too high for security. But we must also take note of the fact that many of these inputs which are coming with regard to security from other countries are also based not only on security but on their own commercial interests as well. So, we have to take a very carefully calibrated decision."

1.112 He added:-

"So, all of these arguments which are being given by different countries contain several levels and layers of interests apart from security and we should be aware of that. The risks are known. The counter measures are known. Some of them cannot be done overnight like manufacturing or R&D. Some of them can be done in a relatively short term like testing. That only protects us up to a certain point. And we are also working with others on improving even the test capabilities. So, there is no simple solution that overnight you can do this and we will be hundred per cent secure. It is a constant battle which we will have to fight."

1.113 On the query of the Committee on study the number of study conducted to ascertain the long term security implications due to dependence on imported equipments including Chinese Telecommunications Companies Huawei and ZTE, the Department stated in a written reply that no systematic study has been carried out by the Department.

1.114 When the Committee enquired about the detail finding about the Report of Permanent Select Committee on Intelligence of US Government and the lessons learnt from the findings of such Report, Department in the subsequent written reply has stated as under:-

"Permanent Select Committee on Intelligence of US Government has submitted a report titled "Investigative Report on US National security issues posed by Chinese Telecommunications Companies Huawei & ZTE". It is inter-alia apprehended in the report that Huawei could not establish beyond doubt that it is not a company functioning under the direct control of Chinese army and the decision making is not influenced by the same. As per report, Permanent Select Committee on Intelligence has gauged the level of threat to the United States and has asked a detailed accounting of foreign made hardware/software on the service provider's network along with the information related to security incidence such as discovery of unauthorized electronic hardware or suspicious equipment capable of duplication for redirecting data.

Prior to release of report of Permanent Select Committee, based on the concerns raised by security agencies about Chinese companies (ZTE & Huawei) and the directions received from Ministry of Home Affairs, it was decided by the Government that resources should not be procured by BSNL from Chinese vendors for deployment in sensitive regions. The sensitive regions were defined as states having international border with China, Bangladesh, Myanmar and Pakistan.

It is a known fact that in the modern age, telecom equipment and networks used for provisioning of telecom services are prone to spyware/malwares etc, emanating from the equipment itself or embedded software contained in it or from antisocial or anti national individuals or agencies. Such potential threats exist in the network, irrespective of the sources like telecom equipment manufactured in China or supplied by some other vendors. To address the security concerns related to telecom & telecom Network, Government proactively issued the comprehensive security guidelines in the form of license amendments on 31.05.2011 for Access Service licenses and on 3rd June' 2011 for other licenses, in consultation with MHA and after due deliberations with Industry. These guidelines are applicable for all telecom equipments used in telecom network irrespective of source of country or a company or region of the country where the equipment is deployed by TSPs.

As a long term measure, Government is taking steps like Preferential Market Access (PMA), providing incentive for manufacturing in India etc., to enhance the manufacturing of Telecom equipment in India. In order to increase the share of telecom equipment manufactured in the country, based on Notification of Department of Electronics & IT vide No. 8(78)/2010-IPHW dated 10th February, 2012, Department of Telecommunications has already issued the Notification vide No. 18-0712010 dated 5th October' 2012 regarding domestic telecom equipment for Government procurement and Government projects.

Thus, a regulatory framework has already been mandated to deal with potential threats by the induction of Chinese Telecom Equipment or from any other source. But, to ensure the compliance of the Security guidelines contained in license amendment 31.05.2011/03.06.2011, it is necessary to create an institutional framework of Technical man power for which a proposal has already been submitted to create Telecom Security Directorate to handle the Telecom security related issues."

Part-II**Recommendations/Observations**

2.1 The Committee note that the Detailed Demands for Grants (2013-14) of the Department of Telecommunications were laid in Lok Sabha on 18th March, 2013. The Committee observe that for the 12th Five year plan against an amount of Rs.77,221.23 crore under Gross Budgetary Support (GBS) sought by DoT, the GBS approved by the Planning Commission is only Rs. 20825 crore. For the year 2013-14, the Department has been allocated a plan outlay of Rs. 12,239.93 crore comprising of both the GBS and IEBR components. The Committee endorse the same. However, an analysis of the information furnished by the Department reveals that the Plan allocation is Rs. 2,991.46 crore lesser than the outlay allocated at BE stage for the previous year. The analysis further reveals huge variations in the BE, RE and Actuals under IEBR + GBS outlay of the Department during each of the last two years. During 2011-12, the allocation at BE was Rs. 19,881.09 crore which was reduced to Rs. 11,878.07 crore at the RE stage and the actual utilisation was only Rs. 6,290.81 crore. During the year 2012-13, again the allocation at RE was reduced to Rs. 8,286.48 crore from Rs. 15,231.39 crore of the BE allocation and the actual utilisation was only Rs. 4,619.11 crore (upto February, 2013).

2.2 The Committee find that the under-utilisation of IEBR during 2012-13 was mainly on account of lower expenditure by the PSUs. An analysis of the performance of IEBR during 2012-13 indicates poor performance by both BSNL and MTNL. For BSNL, IEBR at BE stage was Rs. 9,504 crore which was reduced to Rs. 5,409 crore at the RE stage and the actual utilisation upto February, 2013 was only Rs. 2,148.85 crore i.e. 39.72 percent w.r.t. RE. In the

case of MTNL, IEBR at BE was Rs. 887.39 crore which was reduced to Rs. 444.48 crore at RE stage and the actual utilisation up to February, 2013 was Rs. 224 crore i.e. 50.39 percent w.r.t. RE. The main reasons cited by the Department for under-utilisation by BSNL includes lower capital expenditure than anticipated on expansion of capacity for GSM equipment, procurement of NGN equipment, UG cables & Telephone instrument, broadband equipment and Cable & Transmission equipment. Market conditions and hyper-competition in the telecom sector has also adversely affected the generation of internal resources of BSNL. In the case of MTNL, the Committee observe that the company is passing through severe cash flow problem and is under a serious debt burden. MTNL is also borrowing money to meet its day to day requirements. For the year 2013-14, the Committee note that amount of Rs. 6,439.93 crore for IEBR of PSUs (BSNL, MTNL & C-DoT) has been approved by the Planning Commission. The Committee feel dismayed at the trend of underutilization under IEBR by PSUs in the last two years and the performance of the PSUs, especially the inability of BSNL to expand its GSM networks and the financial position of MTNL where it is borrowing money to meet its day to day expenditure.

2.3 Under GBS, the allocation of funds during 2012-13 at BE level was Rs. 4800 crore which was reduced to Rs. 2393 crore at the RE stage and the actual utilisation upto February, 2013 was Rs. 2220.48 crore i.e. 92.79 percent w.r.t. RE. The Committee observe massive deductions at RE stage under schemes/unit like WMO, WPC, TEC, C-DoT, DS, NICF, USOF etc. The Committee are of the view that the Finance Ministry had taken into consideration the poor utilisation of funds by the Department that while making reduced allocation at RE stage under GBS during 2012-13. For the year

2013-14, under GBS, the Planning Commission has allocated only Rs. 5,800 crore out of the proposed Rs. 24,539.59 crore. The Department has particularly stated that funds allocated for USOF (including NOFN) would not be sufficient and the MoF would be requested to provide the same at the RE stage. The Committee feel that the aforesaid scenario reveals that there are serious lacunae in planning process of the Department and under GBS, there is an urgent need for the Department to improve its performance under the schemes/units like WMO, WPC, TEC, C-DoT, DS, NICF, USOF etc.

2.4 The Committee are dismayed at the way in which the entire planning processes of the Department are being done. The reason why the Planning Commission has made lesser allocation at BE stage than the amount proposed by the Department and the reduced allocation made at RE stage by the Finance Ministry merit a special consideration by the Department. The Committee are of the view that the Department should first assess its ability and potential to utilise funds instead of making unrealistic projections. The Committee, therefore, recommend that the Department may undertake a review of its planning process in implementation of various schemes undertaken by it in a realistic manner. The Department also needs to focus on financial management as well as monitoring mechanism so that the funds allocated are utilised properly and the desired targets are achieved in a time bound manner. The Committee would like the Department to act on the above observations as it would definitely help the Department in proper utilisation of funds in a planned manner.

(Para Nos.2.1, 2.2, 2.3 & 2.4, Recommendation Serial No.1)

Revenue receipts of the Department

2.5 The Committee observe that the license fee and the spectrum charges collected from the Telecom Service Providers are the major and regular sources of non-tax revenue of the Government of India. The Committee also note that on license fee and spectrum charges, the Department had received Rs. 13,719.67 crore during 2010-11 and Rs. 16,983.23 crore during 2011-12. During 2012-13, if the anticipated amount upto 31st March, 2013 is taken into consideration, the revenue receipts of the Department under license fee and spectrum charges will be Rs. 18,641.31 crore. The Committee are concerned to note that revenue collection on account of dividend payment from the CPSUs is in a declining mode on account of their pathetic financial performance. From an amount of Rs. 72.18 crore collected as dividend during 2009-10, it has declined to Rs. 16.50 crore during 2012-13. Another significant source of the revenue for the Department is the revenue generated through spectrum auction. Under this head, the Department collected Rs. 1,06,264.73 crore during 2010-11 and Rs 1,722.24 crore during 2012-13. In this regard, the Committee note that to enhance its revenues, the National Telecom Policy, 2012 envisages delinking of spectrum in respect of all future licenses and making spectrum at a price determined through market related process. The Committee have also been informed that an amount of Rs. 23,177.66 crore has been levied on Telecom Service Providers for holding spectrum beyond 4.4/6.2 MHz in respect of GSM operators and the matter is presently under litigation. Besides, an amount of Rs. 3032.20 crore has been levied in respect of CDMA operators for holding spectrum beyond 2.5 MHz and the due date for payment is 10th April, 2013.

2.6 Taking into consideration the way the telecom sector is expanding in the country as well as the way the private telecom operators have flourished during the last few years, the Committee, are concerned to note that during the last three years, there has been a very marginal increase in the revenue receipts of the Department. The Committee are of the considered opinion that something is amiss in the revenue generation policy of the Department as the same does not appeared to be commensurate with the growth of telecom sector. The Committee, therefore, feel that there is an urgent need for the Department to introspect its policy and procedures and evolve a long term strategy to increase its revenue receipts. At the same time, the Committee would like to emphasise that such policies and procedures should be fair, transparent and legally tenable so as to not leave much scope for frequent litigation during the levy of charges of any kind, as has happened during the levy of charges for holding additional spectrum by GSM operators. The Committee would like the DoT to ensure that it carry out efforts to collect their due recoveries, monitor periodically the collection process and strengthen its accounting procedures.

(Para Nos.2.5&2.6, Recommendation Serial No.2)

Recoveries under Special Audit

2.7 The Committee note that the Department of Telecommunications had ordered a special Audit of Accounts for the years 2006-07 and 2007-08 of five Telecom Group companies viz. Reliance Communications, Bharti Airtel, Idea Cellular, Tata Teleservices and Vodafone. The Committee are concerned to note that it was only after conducting the special audit for the years 2006-07 and 2007-08, that the DoT had raised a demand on the said companies for Rs. 1,846.51 crore (Rs. 896.05 crores principal and Rs. 950.46 crore as interest upto November, 2012/February, 2013). The Committee however

observe that all the licensee companies have approached the courts and have obtained stay against the enforcement of such demand from Hon'ble High Court of Kerala, Hon'ble High Court of Madras, Hon'ble Agartala Bench of Guwahati High Court and Hon'ble TDSAT.

2.8 The Committee feel that the DoT should have vigilant to garner its revenue for the year 2006-07 and 2007-08 and thereafter instead of waiting and resorting to Special audit so late. It is also not clear as to why the special audit has not been conducted for the periods of 2008-09 to 2011-12. The Committee trust that the Department would take all necessary steps to recover its due. As regards the future remedial measures, the Committee have been informed that to prevent under reporting of revenues, the Department has initiated measures like reconciliation between the revenue reported through statement of Revenue and License Fee and revenue reported in the Audited Annual Accounts of the licensees, issuing suitable instructions to the licensees for reporting items indicated in the special Audit report and introducing a uniform annual License Fee regime w.e.f. 01.04.2013. The Committee recommend the Department to evolve a transparent and accountable system so as to avoid any ambiguity in determining the real revenue earnings of the telecom licensees and in preventing under reporting of revenue and subsequent litigations.

(Para Nos.2.7 &2.8, Recommendation Serial No.3)

Setting up of Specific Absorption Rate (SAR) Labs

2.9 The Committee note that SAR laboratories have been planned by the Department for verification of SAR values of mobile handsets and hand held devices as declared by the manufacturers in compliance with EMF exposure limits prescribed by DoT. Taking into consideration the existence of millions

of mobile handsets of a vast variety of makes and specifications involving a large number of manufacturers, the Committee do not feel amused to note that to handle all this for the entire country, so far, only one SAR Lab has been installed and commissioned in TEC headquarters at New Delhi and the Department is in the process of setting up of another SAR Lab at RTEC Mumbai. The Committee, therefore, feel constrained to observe that such an important issue which has a serious bearing on the health of the people has not been given the kind of seriousness it deserves. The Department appears to be very casual in its approach in strictly enforcing the SAR norms and treating it as a mere formality. The Committee while deprecating such lackadaisical attitude of the Department strongly recommend that the Department should urgently undertake a thorough review with regard to the number of SAR Labs required to be set up in the country and the verification of SAR values must be made a mandatory provision for all kinds of mobile handsets, and keep the Committee informed of the progress made in this regard.

(Para No.2.9, Recommendation Serial No.4)

Non-availability of EMF instrument

2.10 The Committee note that TERM Cells of the Department have been mandated with the work of cross checking the compliance of EMF Radiation norms in respect of telecom towers. The Committee have been informed that TERM Cell tests upto 10 per cent of new BTS sites randomly at its discretion. The Committee are, however, find it unbelievable to note that as on date no EMF testing instrument is available with TERM Cells and instead of procuring and using its own EMF instruments, TERM Cells are carrying out the measurement of radiation level by using the test instruments provided by the Telecom Service Providers. The Committee are not in agreement with the

response of the Department that there is no adverse effect in carrying out the measurement of radiation levels from various BTS towers on account of non-availability of EMF test equipment. Taking into consideration the increasing concerns over the harmful effects of electromagnetic radiation on human health and that the TERM Cells have been entrusted with the work of cross checking, the Committee feel deeply perturbed on this non-serious approach of the Department in dealing with such an important issue concerning radiations from BTS towers. The Committee feel that the Department owe an explanation as to under what authority it is using the instruments provided by TSP operators instead of having its own instrument and what could be the authenticity of such instruments and how such testing can be termed as authentic. Taking note of the fact that the Government have already formulated norms with respect to testing procedures and testing fee, the Committee fail to understand whether such norms permit the TERM Cells to use the equipment provided by TSP themselves instead of its own equipment. Now that the tender for procuring 69 test instruments had already been floated which shall be opened on 12 April, 2013, the Committee strongly recommend that serious efforts must be made by the Department to procure the requisite number of test instruments at the earliest to become self-sufficient in EMF testing. The Committee also recommend that efforts must be made to promote domestic production of EMF instrument instead of relying only on import.

(Para No.2.10, Recommendation serial No.5)

Setting up of wireless Monitoring Stations

2.11 The Committee note that Wireless Monitoring Organizations (WMO), a field unit of the Wireless Planning and Coordination wing (WPC Wing) is entrusted to ensure that interference to wireless networks, which may occur for a variety of reasons, is immediately resolved. Another concern of the WMO

is to ensure spectrum availability for the introduction of new wireless networks. Protection to radio communication networks of public bodies (Government/Undertakings), security (defence, police and paramilitary organizations) and numerous networks of other agencies also carry high priority with the WMO. To carry out its responsibilities, WMO operates a country-wide network of 28 Wireless Monitoring Stations(WMSs). The Department has informed the Committee that the foremost responsibility of WMSs is to ensure interference-free operations of mobile and DTH services, amongst others, affecting millions of people in the Country. Equally important for WMSs is to provide protection to safety of life related communications in the aeronautical and maritime mobile services. In the background of such important tasks being performed by WMSs, the Committee note with concern that the utilization of funds pertaining to development of WMSs is abysmally low. During 2012-13, an amount of Rs. 58 crore was allocated at BE stage for WMO which was reduced to Rs.3.50 crore at the RE stage and the actual utilization upto February, 2013 was only Rs. 3.97 crore. The Committee also find it contradictory that on one hand, the Department has claimed that six new Wireless Monitoring Stations were planned and established at Bhubaneshwar, Dehradun, Lucknow, Patna, Raipur and Vijaywada under Eleventh Five Year Plan, on the other, it is stating that the bid document for procurement of technical infrastructure for the WMSs is still under revision and is yet to be submitted to the competent authority. In view of such important functions being performed by WMS, the Committee strongly recommend that due importance be given to the timely execution of the projects so that the procurement of requisite technical infrastructure is not delayed any further. The Committee also recommend the Department to ensure timely establishment of six new WMS during the Twelfth Plan in a time

bound manner and ensure optimum utilization of funds allocated under annual Plan 2013-14.

(Para No.2.11, Recommendation Serial No.6)

Under utilisation of funds under USOF Schemes

2.12 The Committee observe that telecom services are important drivers for development, delivery of public services such as education, health, etc. and integration of rural areas with the rest of the country. Recognizing the importance of telecom services, Universal Service Support Policy was announced by the Government in March, 2002 under which a separate fund i.e. USOF, for providing access to telegraph services to people in the rural and remote areas was set up. An analysis of the utilization of funds by the Department and the implementation of some of the important schemes under USOF, indicates that the efforts of the Department could not match up with the noble endeavor for which the fund has been set up. In this regard, the Committee note that the amount of Rs. 3000 crore allocated at BE stage during 2012-13 was reduced to Rs. 625 crore at RE stage and the actual utilisation upto February, 2013 was also Rs. 625 crore. The Committee observe that as on 31.12.2012, the available balance under USOF is Rs.24,801.56 crore and with implementation of a new scheme i.e. National Optical Fibre Network (NOFN) with a financial outlay of Rs. 20,000 and implementation of Mobile Tower in Left Wing Extremism (LWE) affected areas at an estimated sum of Rs.3060 crore, the bulk of the accruals to USOF over the years would be utilized. The Committee recommend that the Department must pay serious attention to implementation of these two schemes as this would ensure the proper utilization of funds under USOF.

(Para No.2.12, Recommendation Serial No.7)

Wireline Broadband Connectivity

2.13 Under the Rural Broadband (Wireline) Scheme launched on 20th January, 2009 with a roll out period of 5 years for providing wireline broadband connectivity in rural and remote areas, the Committee note that out of the target of providing 8,88,832 wireline broadband connections through BSNL by January, 2014,, the achievements as on December, 2012 was only 4,33,018. During the same period, the achievements with regard to providing wireline broadband kiosks were 10,713 against the target of 28,622. The performance of broadband connectivity in North-Eastern Region is even worse as the achievement was merely 2460 against the target of 26,226. The Committee observe that the efforts of BSNL to provide wireline broadband kiosk through the exchanges have clearly not been able to match the popularity gained by Common Service Centre set up by the Department of Electronics and Information Technology under a national scheme which are based on a model where the village level entrepreneur run them. The Committee desire that efforts must be made by the Department to increase broadband kiosk through the participation of village level entrepreneur on the lines of Common Service Centres which have proved to be a big success in the remaining span of the scheduled time for completion of the scheme.

(Para No.2.13, Recommendation Serial No.8)

National Optical Fibre Networks(NOFN) Project

2.14 Another project funded by USOF which demands attention is the National Optical Fibre Network (NoFN) which is planned to connect 2.50 lakh Gram Panchayats in the country through optical fibre which will provide various applications like e-Health, e-education, e-Governance etc. The Committee are not satisfied with the progress of implementation of this important project. While the project was approved by the Union Cabinet on

25.10.2011 with an outlay of Rs. 20,000 crore to be completed within a period of 2 years time, so far, the MoU has been signed only with 13 States and 3 UTs. Inspite of the 2 years period given for completion of this project, only three Pilot Projects have been completed in Arian Block in Ajmer District (Rajasthan), Panisagar Block in North Tripura District (Tripura) and Paravada Block in Vishakapatnam District (Andhra Pradesh). The Committee observe that since central feature of the NoFN is in bringing about broadband connectivity especially in rural and remote areas, the Department should have made maximum efforts to complete the projects within the prescribed timeline i.e. by the end of the current year. Feeling concerned at such sluggish pace of the execution of the project, the Committee, recommend that all out efforts should be made by the Department to sign MoUs with the remaining States and UTs at the earliest. Needless to emphasise that the project would not be allowed to suffer on account of shortage of funds.

(Para No.2.14, Recommendation Serial No.9)

Financial Performance of BSNL

2.15 The Committee note with concern that the financial performance of the BSNL has continued to be in a declining mode over the last few years and the company is incurring heavy losses. During 2009-10, BSNL had incurred a loss of Rs. 1823 crore, which increased to Rs. 6384 crore in 2010-11 and the amount of loss for 2011-12 was Rs. 8851 crore. The Committee note that not much headway has been made to address the cause of the loss which have continued to remain the same such as decrease in revenue due to fixed to mobile substitution, stiff competition, frequent downward revision of tariff, outgo of Rs. 18,500 crore as payment towards 3G and BWA spectrum charges resulting in deduction of interest income and increase in expenditure due to

huge legacy workforce resulting in payment of 50 per cent of revenue as salary and wages, inheritance of legacy wireline system, providing telecommunication in rural, remote and inaccessible areas where expenditure far exceeds revenue, etc. The Committee feel that if this trend is allowed to continue any more, it may not be very long before the company will finally collapse. Similarly, every year it is being reported by the Department/ BSNL that measures like setting up of sales and marketing team; focusing on customer care services; monetizing the huge assets of land and building, towers and bandwidth; focusing in improving the quality of network and IT setup; opening of internet data centre; identification of revenue earning telecom district and regularly monitoring their performance etc. have been initiated by BSNL to arrest its increasing losses. The Committee, however, do not find any visible effect of such measures on the overall financial performance of the company. The Committee feel unhappy in concluding that it is for the Government to decide as to how much further deterioration of the company should be allowed to take place before any concrete decision is taken on the issues plaguing the company. The Committee, therefore, once again strongly emphasise that there is an urgent need to revive BSNL in a time bound manner and making it a financial viable organization as it was in the past. The Committee further recommend that strong monitoring mechanism needs to be evolved and put in place for achieving the projected growth in physical parameters as envisaged during the Twelfth Five Year Plan period. The Committee also desire the BSNL to improve percentage of utilization of IEBR component of Rs. 5593 crore 2013-14, as utilization during 2012-13 upto February, 2013 was very low i.e. 39.72% w.r.t. RE.

(Para No.2.15, Recommendation Serial No.10)

Amount owed by Private Operators to BSNL

2.16 As per the information furnished by the Department, the Committee note that as on 31.01.2013 an amount of Rs. 1111 crore is outstanding from private operators to BSNL. The Committee are dismayed to find that out of the outstanding of Rs. 1111 crore to be recovered from private operators, a sum of Rs. 986 crore is *sub-judice* in the Hon'ble Supreme Court and TDSAT and dispute pertaining to CDR (Call Detail Record) reconciliations and same is being pursued vigorously for an early settlement. The Committee while expressing a serious concern over such a huge outstanding amount as well as its disputed nature, strongly recommend that the company may analyse the reasons for such disputes and undertake appropriate remedial measures to avoid such disputes in the future.

(Para No.2.16, Recommendation Serial No.11)

Mobile Number Portability Ratio

2.17 The Committee are also dismayed to note that the performance of BSNL with regard to mobile number portability and augmentation of its network has not been very satisfactory. In the case of mobile number portability the ratio of porting in to porting out is 1:1.4, which means more subscribers are porting out of BSNL. For instance as on 28.02.2013, the actual number of subscribers ported out from BSNL were 30,16,464 and only 21,44,200 subscribers ported into BSNL.

On analysis of the data furnished by the Department in respect of porting out and porting in with regard to BSNL, the Committee find that in all circles excepting Andhra Pradesh, Jammu and Kashmir, Kerala, Odisha and Tamil Nadu, the porting out is more than the porting in and cumulative All India Ratio of porting in to porting out as on 28.2.2013 is 1:1.4. Though it

had been claimed by the Secretary, DoT, during evidence before the Committee that the number of porting in is improving consistently, the Committee find that the ratio has remained the same as it was during the last year. The Committee, therefore, recommend that the company may carry out a survey for ascertaining the main reasons for porting out of subscribers and take appropriate remedial measures to address the same so that the ratio of porting in to porting out is ultimately reduced to less than one i.e. the number of porting in is more than the number of porting out.

(Para No.2.17, Recommendation Serial No.12)

Financial performance of MTNL

2.18 The Committee feel extremely concerned at the continuing trend of increasing losses MTNL year after year. During 2009-10, MTNL had incurred loss of Rs. 2610.92 crore which was increased to Rs 2801.92 crore during 2010-11. The loss incurred by MTNL during 2011-12 was Rs. 4109.78 crore. The Committee also deprecate the low utilization of IEBR by MTNL during 2012-13. The Committee note that main reasons for such heavy losses being incurred by the company include overstaffing, revision of wages/arrears, provision for spectrum charges, pension payment/actuarial valuation, accounting for balance amount of VRS payments, reduction in tariffs and service area constraints etc. As a result, the MTNL is passing through severe cash flow problem and is borrowing money to meet its day to day requirements. The Committee note that most of these issues need Government intervention for their settlement, but the same is not forthcoming. The Committee, therefore, feel that there is an urgent need for the Government to address all such issues besides chalking out a detailed strategy to restore MTNL as a viable Telecom PSU in the country. The Committee also note that the proposal of MTNL for surrendering the BWA

spectrum allotted to them and refund of full price of Rs. 4533.99 crore plus interest (Rs. 766.90 crore) is pending with the Department of Telecommunications for their consideration. The Committee recommend that the Department may take a final decision on this issue at the earliest. The Committee further recommend that the Department should urgently go into the merits of the assistance sought by MTNL for other proposals viz. sovereign guarantee for raising long term bonds, monetization of land and buildings, financial assistance for excess spectrum in 2G, funding support for VRS and creation of a common Pension Trust for all groups of absorbed employees. The Committee desire that all steps necessary for revive MTNL are implemented in a time bound manner so as to prevent any further slide in the financial and physical performance of the Company. The Committee also desire the MTNL to improve percentage of utilization of IEBR component of Rs. 786.93 crore in 2013-14, as utilization during 2012-13 upto January, 2013 was very low i.e. 38.36% w.r.t. RE.

(Para No.2.18, Recommendation Serial No.13)

Revival Plan for ITI

2.19 The Committee note that during 2013-14, the amount proposed for ITI was Rs. 1453 crore but the allocation made at BE stage was merely Rs. 1 lakh only because the revival proposal of ITI is yet to be approved by the Government and hence non-allocation of plan outlay by the Planning Commission. The Committee find it an irony that when the Indian telecom sector has seen an impressive expansion with large investments in the past several years and teledensity increasing from 28.2 percent in 2008 to more than the 70 per cent in 2012, ITI Limited, the first public sector undertaking of independent India, established in 1948, to supply telecom equipments to then telecom service providers, i.e., Department of Telecommunications, is

today not in a position to generate internal resources to meet the planned capital expenditure due to lack of orders and continuous losses. It could be clearly seen that ITI has not been able to compete in a highly competitive market after the liberalization of economy in the early 90s. The Committee strongly recommend that the revised Draft Rehabilitation Scheme, as part of ITI's Revival proposal, submitted by the Operating Agency (State Bank of India) and approved by BIFR in November, 2012 may be urgently considered and approved by BRPSE so that the same may be sent to CCEA for approval at the earliest. The Committee further recommend that the Revival Plan may be urgently finalized so that adequate capital funding may be made available for upgrading manufacturing infrastructures and absorption of new technologies in all the ITI plants. The Committee also desire that BSNL and MTNL being the major customer from ITI, emphasis should also be given by them in procuring telecom equipment from ITI for their network expansion wherever possible. In this regard, the Committee trust that the policy of the Government for providing purchase preference to domestically manufactured telecom equipment as announced under NTP-2012 will definitely give a boost to the company in its revival plan.

(Para No. 2.19, Recommendation Serial No.14)

National Telecom Policy, 2012

2.20 From the information provided by the Department, the Committee find that earlier Telecom Policy i.e. NTP, 1999 was the catalyst for growth of the telecom sector as India emerged as one of the fastest growing telecom markets in the world and constituting significantly to the country's economic growth. However, the digital divide in the country continues to be significant with rural areas accounting for only 34% of the total connections and the ability of the poor both in rural and urban areas needs to be enhanced. It was

against this backdrop that the National Telecom Policy, 2012 has been conceived and approved by the Government of India on 31st May, 2012. While appreciating the achievements made by the Department under NTP, 1999, the Committee also observe that the Department has set up ambitious targets under NTP 2012, such as, increasing rural teledensity from the current level of around 39 to 100 by 2020, 600 million broadband connection by 2020, making India a global hub for manufacturing; achieving one Nation Full Mobile Number portability and work towards one Nation-Free Roaming, etc. The Committee would like the Department to bring out the detailed guidelines to operationalise the policy at the earliest as envisaged in the Cabinet Note on NTP, 2012. The Committee hope that the Department would make utmost efforts for achieving the objectives enumerated in NTP-2012 in line with the implementation plan which has already been formulated.

(Para No.2.20, Recommendation serial No.15)

Increasing Broadband connectivity

2.21 The Committee also note that one of the objectives of NTP-12 is to provide affordable and reliable broadband-on-demand by the year 2015 and to achieve 175 million broadband connections by 2017 and 600 million by 2020. The Department has now stated that major means to achieve the target will be through assimilating the cable TV network into the broadband infrastructure and through 3G and 4G services. The Committee recommend that the Department must expedite the process so that broadband revolution picks up in the country in the same way the mobile revolution has taken place in the country.

(Para No.2.21, Recommendation serial No.16)

Free nationwide roaming and full number portability

2.22 The Committee note that one of the salient features of National Telecom Policy, 2012 is to achieve one nation full Mobile Number Portability and work towards one nation free roaming. In this regard, the Committee note that the Cabinet had cleared a proposal to allow free roaming across the country and had also endorsed full number portability. The Committee while endorsing the noble objective of the National Telecom Policy, 2012 to achieve one nation full Mobile Number Portability and free roaming, recommend that consultation process initiated by TRAI for the implementation of the above policies should be completed at the earliest. The Committee are of the view that the implementation of these policies would be a big relief to the huge subscribers in the country and would constitute a milestone in the history of Indian telecom sector. They would keenly await progress made under these two components of NTP-2012.

(Para No.2.22, Recommendation Serial No.17)

R & D in telecom equipment manufacturing

2.23 The Committee note that in pursuance of National Telecom Policy, 2012, which includes promotion of Telecom Equipment manufacturing as one of the objectives, the Department has constituted an Expert Group on creation of Telecom Entrepreneurship Development, Telecom R&D and Telecom Manufacturing Promotion. The Expert Group is expected to submit its report shortly. The Committee have been informed that within the Government, the premier organization in the Department of Telecommunications for research is the Centre for Development of Telematics (C-DOT). R&D are being done by C-DoT for development of telecom equipment and security programme for which an amount of Rs. 1000 crore and Rs. 550 crore has been proposed

respectively during the 12th Five year Plan. Apart from Government R&D, private sector has also been carrying out R&D and coming up with different products. With regard to import and export of telecom equipment, the Committee note that the total telecom export during 2011-12 was Rs. 20070 crore, whereas during the same period, the total import of telecom equipment stood at Rs. 52441 crore. The Committee are of the view that there is an urgent need to develop telecom R&D facilities so as to ensure that not only India's Telecom equipments are procured domestically but also to facilitate emergence of India as a major telecom manufacturing hub in the world. In this regard, the Committee appreciate the initiative of the Government in laying down the policy for providing preference to domestically manufactured electronic products including telecom equipment in procurement. More than the economic implications, the Committee are of the view that having robust R&D facilities in telecom sector will strengthen the security requirements of the telecom networks of the Country. The Committee, therefore, strongly recommend that apart from R&D for indigenous development of telecom equipment, equal efforts should also be devoted to develop test facilities and standards so as to ensure that imported telecom equipment conform to highest security standards.

(Para No.2.23, Recommendation Serial No.18)

Foreign telecom equipments and related security concerns

2.24 The Committee note with concern that Permanent Select Committee on Intelligence of US Government in their report titled "Investigative Report on US National security issues posed by Chinese Telecommunications Companies Huawei & ZTE" had expressed the apprehension that Huawei could not establish beyond doubt that it is not a company functioning under the direct

control of Chinese army and the decision making is not influenced by the same. The Committee are concerned to note that without conducting any systematic study to ascertain the long term security implications due to dependence on imported equipments including Chinese Telecommunications Companies Huawei and ZTE, the BSNL had finalized tender for 14.4 million lines of GSM network in favour of M/s ZTE which is a Chinese Telecommunication Company. Even though the Secretary, DoT submitted before the Committee that it has come through a competitive bidding process and there is a significant price differential and also security cannot be compromised because of price, the Committee are of the view that commercial interest rather than nation's security seems to have been the guiding factor in finalizing this tender by BSNL with M/s ZTE. As per the Secretary, DoT's own admission, the threat from imported telecom equipment is real and that vulnerability cannot be removed completely. The Committee, therefore, strongly recommend that the Department must urgently identify both the short term and long term measures to handle the threat that may arise from imported telecom equipment. Some of the short term measures may include developing a sound testing standards and setting up adequate number of test centres at the earliest for elimination of security threats to the extent possible. The long term may include R&D for indigenous manufacture of telecom equipments, especially of sensitive requirements should be urgently taken up by the Department.

(Para No.2.24, Recommendation Serial No.19)

2.25 The Committee note that one of the objectives enshrined in NTP, 2012 is 'enhanced and continued adoption of green policy in telecom and incentivize use of renewable resources of sustainability'. The Committee feel that this is a

laudable objective as there is an acute problem of power in the far flung and rural areas of the country. The Committee are of the view that renewable energy sources particularly the solar power devices could be the best option for ensuring uninterrupted communication network in such areas which presently suffer on account of acute power shortages. As regards funding of the cost of installation of such devices, the Committee note that as on 31.12.2012, the available balance under USOF, which is primarily meant for use in the development of rural telecommunications is Rs. 24,801.56 crore. The Committee, therefore, recommend that the USOF may be utilised for installing solar power devices in the rural areas for supplying power to the telecommunication towers and other related activities. The Committee further recommend that this work may be entrusted to the BSNL which has a vast telecom infrastructure as well as expertise in the rural areas.

(Para No.2.25, Recommendation Serial No.20)

New Delhi
23 April, 2013
03 Vaisakha ,1935 (Saka)

RAOINDERJITSINGH
Chairman
Standing Committee on
Information Technology

Confidential

**STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2012-13)**

MINUTES OF THE SEVENTH SITTING OF THE COMMITTEE

The Committee sat on Monday, the 25th March, 2013 from 1100 hours to 1305 hours in Committee Room 'D', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Rajendra Agrawal–In the Chair

MEMBERS

Lok Sabha

2. Shri Nikhil Kumar Choudhary
3. Shri A. Ganeshamurthi
4. Smt. Darshana Jardosh
5. Dr. Thokchom Meinya
6. Dr. (Prof.) Prasanna Kumar Patasani
7. Shri Tapas Paul
8. Smt. Seema Upadhyay

Rajya Sabha

9. Shri Joy Abraham
10. Shri Mohammed Adeeb
11. Shri Salim Ansari
12. Dr. C.P. Thakur

SECRETARIAT

- | | | | |
|----|-------------------|---|---------------------|
| 1. | Shri Brahm Dutt | - | Joint Secretary |
| 2. | Shri N.C. Gupta | - | Director |
| 3. | Shri A.K. Garg | - | Additional Director |
| 4. | Dr. Sagarika Dash | - | Deputy Secretary |

**Representatives of the
Ministry of Communications and Information Technology
(Department of Telecommunications)**

1. Shri R. Chandrashekhar , Secretary (DoT)
2. Smt. Sadhana Dikshit, Member (F)/Advisor (F)
3. Shri S.C. Misra, Member (S)
4. Shri R. K Bhatnagar, Member(T)/ Advisor(T)
5. Shri N. Ravi Shankar, Administrator (F), USOF
6. Ms. Rita Teatota, Additional Secretary (T)
7. Shri Ram Narain, DDG (Security)
8. Shri R.K. Upadhyay, CMD, BSNL
9. Shri A.K. Garg, CMD, MTNL
10. Shri K.L. Dhingra, CMD, ITI
11. Shri V.V.R. Sastry, Executive Director (C-DoT)

2. In the absence of the Chairman, the Committee chose Shri Rajendra Agrawal, a Member of the Committee to act as the Chairman for the sitting in accordance with Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

3. At the outset, the Chairman welcomed the Members to the sitting of the Committee convened to take oral evidence of the representatives of the Ministry of Communications and Information Technology (Department of Telecommunications) in connection with the examination of the Demands for Grants (2013-14) of the Department of Telecommunications.

[The representatives of the Department were then called in]

4. The Chairman welcomed the representatives of the Department of Telecommunications and drew their attention to Direction 55(1) relating to confidentiality of the proceedings and Direction 58 regarding evidence liable to be treated as public.

5. The representatives of the Department of Telecommunications made a PowerPoint presentation covering various issues relating to the examination of Demands for Grants (2013-14) viz. functions and responsibilities of the Department, Eleventh Plan targets and achievements, Twelfth Plan targets, implementation of various schemes under USOF, Revenue Receipts of the Department, financial performance under Plan and Non-Plan, GBS and IEBR (Plan) and Non-Plan outlay in 2013-14, financial performance of PSUs viz. BSNL and MTNL under IEBR and BE allocation for 2013-14.

6. The Committee, thereafter, deliberated in detail the performance of the Department and the PSUs. The Committee also examined the various issues relating to the examination of Demands for Grants (2013-14) of the Department which *inter-alia* included, broadband and telecom connectivity in remote and rural areas, security of telecom networks, R&D activities for telecom equipment manufacturing, etc. The Members then sought clarifications on various issues and the representatives of the Ministry responded to the same and assured to furnish written replies with regard to the issues on which the information was not readily available, at an early date.

7. The Chairman, then, thanked the representatives of the Department of Telecommunications for appearing before the Committee and for furnishing valuable information that was desired by the Committee.

[The witnesses then withdrew]

A copy of verbatim proceedings of the sitting has been kept on record separately.

The Committee, then, adjourned.

Annexure-II**STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2012-13)****MINUTES OF THE ELEVENTH SITTING OF THE COMMITTEE**

The Committee sat on Wednesday, the 17th April, 2013 from 1100 hours to 1200 hours in Committee Room 'D', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Rao Inderjit Singh – Chairman

MEMBERS***Lok Sabha***

13. Shri Abdul Rahman
14. Shri Rajendra Agrawal
15. Shri Nikhil Kumar Choudhary
16. Shri Rajen Gohain
17. Smt. Darshana Jardosh
18. Dr. Thokchom Meinya

Rajya Sabha

19. Shri Joy Abraham
20. Shri Mohammed Adeeb
21. Shri Salim Ansari
22. Shri Bharatsinh Prabhatsinh Parmar
23. Dr. C.P. Thakur

SECRETARIAT

- | | | |
|----------------------|---|---------------------|
| 5. Shri Brahm Dutt | - | Joint Secretary |
| 6. Shri N.C. Gupta | - | Director |
| 7. Shri A.K. Garg | - | Additional Director |
| 8. Dr. Sagarika Dash | - | Deputy Secretary |

2. At the outset, the Chairman welcomed the Members to the sitting of the Committee convened to consider and adopt four draft Reports relating to Demands for Grants (2013-14) of the Ministries/Departments under their jurisdiction.

3. The Committee, then, took up the following draft Reports for consideration and adoption.

(i) Draft Forty-third Report on Demands for Grants (2013-14) of the Department of Telecommunications;

(ii) xxxxx xxxxx xxxxx xxxxx;

(iii) xxxxx xxxxx xxxxx xxxxx;

(iv) xxxxx xxxxx xxxxx xxxxx.

4. ..xxxxx.. However, Members suggested certain changes in the draft Forty-third Report relating to Demands for Grants (2013-14) of the Department of Telecommunications; ..xxxx.. which were agreed to and the aforesaid draft Reports were also adopted with slight modifications.

4. The Committee, then, authorized the Chairman to finalize and present the reports to the House in the current session of Parliament.

5. The Committee also placed on record their appreciation for the valuable assistance provided by the officials of the Secretariat attached to the Committee.

The Committee, then, adjourned.

xxxx Matters not related to the Report.