10th

STANDING COMMITTEE ON COMMUNICATIONS

(1999-2000)

THIRTEENTH LOK SABHA

MINISTRY OF COMMUNICATIONS

(DEPARTMENT OF TELECOMMUNICATIONS AND DEPARTMENT OF TELECOM SERVICES)

DEMANDS FOR GRANTS

(2000-2001)

TENTH REPORT

LOK SABHA SECRETARIAT

NEW DELHI

April , 2000/Chaitra 1922 (Saka)

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(1999-2000)

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3. Shri S.K. Sharma - Deputy Secretary
4. Shri A.S. Chera - Under Secretary
5. Shri D. K. Mohanty - Reporting Officer

INTRODUCTION

I, the Chairman Standing Committee on Communications (1999-2000) havingbeen authorised by the
Committee to submit the Report on its behalf, present this Tenth Reporton `Demands for Grants (2000-2001)
relating the to Ministry of Communications (Department of Telecommunications& Department of Telecom Services).

2. The Standing Committee on Communications (1999-2000) was constitutedon 31 December, 1999.
One of the functions of the Standing Committee as laid down in Rule331E of the Rules of Procedure and
Conduct of Business in Lok Sabha is to consider the Demands for Grantsof the concerned Ministry/Department
and make a Report on the same to the House.

3. The Committee considered the Demands for Grants pertaining to theMinistry of Communications
(Department of Telecommunications & Department of Telecom Services)for the current year i.e. 2000-2001
which were laid on the Table of the House on 13 March, 2000. Thereafterthe representatives of the Ministry of Communications (Department of Telecommunicationsand Department of Telecom Services) briefed the Committee
on 14th and 22nd March, 2000 about the Demandsfor Grants (2000-2001) pertaining to both the Departments.
Then the Committee took evidence of the representatives of the Ministryof Communications (Department of Telecommunications & Department ofTelecom Services) on 27th and 28th March, 2000.

4. The Committee wishes to express its thanks to the Officers of theDepartment of Telecommunications &
Department of Telecom Services for placing before it detailed writtennotes on the subject and for furnishing
the information, that the Committee desired in connection with theexamination of the subject.

5. The Report was considered and adopted by the Committee at its sittingsheld on 13th April, 2000.

6. For facility of reference and convenience, the observations and recommendationsof the Committee have

been printed in bold letters in the body of the Report.

NEW DELHI; SOMNATH CHATTERJEE
13 April, 2000 Chairman,
24 Chaitra, 1922(Saka) Standing Committee on
Communications

REPORTINTRODUCTORY

1. Pursuant to the New Telecom Policy announced inApril 1999, the Government of India by a Notification dated 15 October, 1999, bifurcated the Department of Telecommunicationsinto two departments viz. Department of Telecommunications (DoT) and Department of Telecom Services (DTS).Department of Telecommunications (DoT) would be concerned with the functions relating to the implementationof treaties and agreements with other countries, policy matters, licensing, coordination, research and development,private investment, administration of Laws (Acts), enquiries and statistics etc. relating to Telecom;Telecom Commission, Telecom Regulatory Authority of India (TRAI), India Telephone Industries (ITI) and HindustanTeleprinters Ltd (HTL)

2. Department of Telecom Services (DTS) will lookafter the execution of work including purchase and acquisition of land, all matters other than policy and licensing relatingto services of telephones, wireless, data, facsimile and telematics, MTNL, C-DoT etc. The Telecom Commissionwill handle matters relating to the coordination between the DoT & DTS.

3. The Budgets of the two Department have beenseparated - Demand No. 12 has been placed for DoT and Demand No. 13 for DTS. Accordingly, this Report of the Committeehas been divided into two Parts- Part I deals with Department of Telecommunications (DoT) and Part IIdeals with Department of Telecom Services (DTS).

PART IDEPARTMENT OF TELECOMMUNICATIONSDemand No. 12

4. The Budget Estimate (BE) of the Department of Telecommunications(DoT) for the year 2000-2001 was stated to be as follows :

A. New Telecom Policy(NTP), 1999

5. The New Telecom Policy, 1999 envisages :-

(i) creation of Modern Telecom infrastructure taking into account theconvergence of IT, media, telecom and consumer durables;

(ii) convertion of Telecom Sector into competitive environment;

(iii) provision of universal service to all uncovered areas includingrural areas;

(iv) provision of high level service capable of meeting the needs ofthe countrys economy;

(v) encourage development of telecommunications facilities in remote,hilly and tribal areas of the country;

(vi) achieve a teledensity of 7% by 2005 and 15% by 2010;

(vii) cover all villages by 2002;

(viii) Internet access to all District Headquarters by 2000; and

(ix) reliable trannsmission media to all Exchanges by 2002.

6. In view of the above objectives, the Committeedesired to know the plan of action on the part of the
Department to achieve the same, the level of Private Sector participationin accomplishing the objectives
and whether some alternate strategy had been worked out in the eventualityof failure of the Private
Operators to fulfill the contractual obligations.

7. It was replied that it would not be possiblefor the Department to meet all the objectives of New
Telecom Policy, 1999 on its own and deployment of Private Capital includingforeign investment was
essential to meet these objectives. It was, therefore, envisaged thatthe implementation of the Objectives
spelt out in NTP 99 would be a joint effort between the GovernmentSector and the Private Sector.
Measures taken to encourage Private Sector involvement were statedto be as under :-

1.change over from the regime of fixed license fee to the regime of revenuesharing;

2.number of operators to be permitted in various services.

3.optimal utilisation of spectrum

4.opening of Long Distance Operation Sector to competition.

8. On the issue of Private Sector participationin supplementing the efforts of DOT/DTS and the inability
expressed by the Department in achieving the NTP, 99 objectives onits own, the Committee during
evidence enquired about the obligations of the Private Operators andtheir actual performance.

9. The Member(P) Telecom Commission submitted thatPrivate Operators had two obligations. One
was to provide 20 lakh telephone connections and the other one wasto provide 98,000, Village Public
Telephones (VPTs) within three years of their operation which wouldbe over in September, 2000.

But
unfortunately there was no progress in the fulfilment of their obligationso far.

10. The Committee enqured whether any specific timelimit was prescribed for the Private Operators to accomplish the obligation. The Secretary, DoT replied that individuallyit was not fixed because in the NTP, 99 there had been a shift from duo-poly to multi-poly. New licenseswere also expected to be given based on TRAIs recommendation. Therefore, no specific time limit wasprescribed.

11. The Committee further asked whether there wasany accountability and any action was taken by the Department against the Private Operators for breach of contract. TheSecretary, DoT esponded that the Private Operators were certainly accountable to the licensor whichin this case was Department of Telecommunications. For not performing, they were liable to liquidateddamages and even cancellation of licenses. He also stated that so far six licenses had been cancelled,five in May, 1999 and one in July, 1999 and liquidated damages worth Rs. 78.81 crore had been imposed uponthem.

12. The Committee queried whether the penalty wassufficient and what would happen to their obligations.
The Member(F) replied that now that they had been allowed to migrateto the revenue sharing package and financially they would be in a stronger position, the Department hadwritten to them to discharge their obligations and it was expected that they would furnish the Department the rollout plan for the next one year.

13. The Telecom Policy 1994 had aimed at providingtelephone on demand and also covering all the villages in the country with at least one Village Public Telephoneby 1997. Subsequently target date was postponed to 2000 AD and again to 2002 AD. As the Policy hadnot been properly implemented the Government announced New Telecom Policy, 1999 substantially modifyingthe provisions and targets of the earlier Policy, aiming at exponential growth in supply of telephonesevery five years and diluting the rigors of licensing agreements for private service providers. Someof the more important objectives of the New Telecom Policy 1999, have been to provide universal serviceto all uncovered areas including Rural Areas, to achieve a teledensity of 7 percent by 2005 and 15 percentby 2010, to cover all villages by 2002 etc. With that view in mind and in order to encourage the PrivateSector involvement, the Department has taken certain measures like change-over from licensefee regime to revenue

sharing,
optimal utilization of spectrum etc. The Committee apprehends thateven with these measures, the Department would not be able to get the involvement of the PrivateSector in its mission as would be
seen from the fact that there has been absolutely no progress whatsoeverin the fulfilment of their initial
obligation of providing 20 lakh telephone connections and 98000 VPTswithin three years of their operation
which would come to an end on September, 2000. To make matters worse,the Department has not
prescribed any specific time frame to the Private Service Providersfor accomplishing their task on the
plea that there has been a shift from duo-poly to multi-poly in theNTP 1999 and new licenses are expected to be given after TRAIs recommendations. Taking into considerationthe past record of the
Private Operators, and also the fact that their participation is confinedto only some lucrative Circles, the
Committee wonders how the Department would be able to meet the aforesaidminimum objectives of NTP 99.
The Committee, therefore, urges the Department to undertake an indepthstudy to obilize and intensify its
preparedness, to meet the likely failure to fulfill the targets theDepartment should take steps to compel of Private Operators to meet the objectives enunciated in theNTP 1999.

14. The DoT has so far penalized six PrivateOperators by canceling their licenses and also imposed
Rs. 78.81 crore as liquidated damages upon them. The Department hasfurther written to Private Operators
after they migrated to the revenue sharing regime, asking to completetheir obligations and on the basis of that the
Department is expecting a roll out plan from them for the coming year.The Committee is of the view that the Department is lackadaisical in enforcing the obligations of the Private Operators and is perceived tobe too accommodative ins spite of several concessions and facilitiesprovided to them. The Committee is of the definite opinion that the Departmentshould hold
the Private Operators accountable and should see that they are madeto fulfill there commitments and the Private
Operators should not be only allowed to obtain privilege and alterationsof terms and conditions in their favour
while the national interest of wider telephone coverage remains unfulfilledas contemplated by VTP 194 or
NTP 1999. The Department should not hesitate to exercise its authorityas the licensor to take suitable measures
to force the Private Operators to meet the terms and conditions ofthe license.

15. In this context, the Committee cannot butrefer to the special privileges given to the Private Operators to migrate to revenue sharing arrangement from the obligation to pay fixedlicense fees. The Committee is not aware as to what were the considerations, which persuaded the Departmentto agree to such change over, and how the national interest has been sub served by such migration, specially,when even now there is hardly any implementation by the Private Operators. Them Committee has not been informed of anystudy even being made by the Department on its own, justifying the decision taken by the Government to permitmigration to revenue sharing arrangement. The Department had repeatedlystated before the Committee that the Department would be in a positionto provide adequate telephone facilities if the Private Operators did not achievetheir target in terms of the agreements already entered into and in terms of the license. But it appears that neitherany study was made by the Department, no any effort was made by the Department to fulfill its obligations of providingservice as contemplated by NTP in the absence of any fixed time table specified to the Private Operatorseven after, they have been allowed to migrate.
It appears that neither a proper study was made nor the implicationsof the migration were properly considered. In the process, in spite of special consideration provided to PrivateOperators the position remains as before and the Department is still trying to fix up the respective obligations ofthe different private service providers. The Committee is of the view that this requires proper enquiry by the competent authorityto ascertain whether national interest has been in fact protected in the events that have happened.

B. MigrationPackage & Revenue Sharing Regime

16. As per the New Telecom Policy, 1999 the Licensefee norm was replaced by a Revenue sharing package.
In this context, the Committee desired to be apprised of the reasonswhich precipitated this change over.

17. In reply, it was stated that the Telecom ServiceOperators were not finding their projects viable under the old license fee regime and were unable to achieve financial closures.Under the new system the projects were expected to become viable as the operators would not have any fixedliability towards license fee.

18. The Committee asked whether any study was madeto examine the financial viability of the Projects under

the revenue sharing system. The Secretary, DoT replied that two studieswere made one by ICICI Ltd. for
appraisal of the Cellular Operators and the other by the Bureau ofIndustrial Costs and Prices (BICP) for viability
of the Cellular Operators.
19. To a specific query whether these Reports wereaccepted by the Government, the Secretary replied that after
the submission of these Reports to the Department, an overall assessmentin terms of legal issues and implications
was made and based on the examination done within the Department, thenext step was taken which was the
framing of NTP, 99 and thereafter the package for the migration wasdeclared in July 1999 to be effective from
1 August, 1999. Subsequently, the migration offer was made and allthe parties accepted the offer except one in U.P.
20. The Committee then asked about the quantum ofoutstanding amount when the migration package was
announced. The Secretary replied that in January, 1999 the total moneyoutstanding against Basic and Cellular
operators was Rs. 3700 crore. In February, 1999, a proposal wasmade that if the operators paid 20 per cent of the outstanding amount theirlicenses would not be terminated. Those who did not pay, had their licensesterminated.
It was further stated that on the date of Migration i.e. 31.7.1999the amount due was Rs. 3,268 crore. But the migration package containeda provision of giving notional extension of effective dates by sixmonths which brought about certain reductions in the license fees payable.Accordingly, the reduced license fees payable as on 31.7.1999 with theextension of effective date by six months notionally came to Rs. 1,875crore.
21. The Committee asked if this migration had nottaken place what would have been the amount of license fees
that would have accrued under the old regime. The Secretary repliedthat between 1 August, 1999 and 31 March,
2000 if that system had continued without migration, then Rs. 1,875would have been payable, the breakup of
which was Rs. 1023 crore from cellular operators, Rs. 250 crore fromcellular operators (Metros) and Rs. 602
crore from basic service providers.
22. The Committee enquired whether the Service Providershad deposited their dues under the migration package,
what was the amount and how many service providers were yet to paytheir dues.
23. In reply it was stated that all the licensees,who were in the process of migration, had deposited their dues in
terms of the package alongwith interest and penalty upto the actualdate of payment and by the

extended due date
of 15.3 2000 except M/S Modicom, the CMT (Circle) licensee in Punjaband Karnataka Service Areas, The
total dues alongwith interest upto 15.3.2000 in respect of M/S Modicomwas stated to be Rs. 257 crore.

24. As regards the recovery of the abovementionedamount from M/S Modicom, the Secretary apprised that the
Company had requested extension of time upto 30 March, 2000 and itwas under consideration of the Department
and since then, reported to have been extended till 15 April, 2000.

25. The Committee then enquired about the RevenueSharing Regime and the percentage that the Department
would get and the profit percentage of the Service Providers.

26. The Secretary, DoT in reply stated that the revenuesharing of the Department would be 15 percent subject
to final recommendation of TRAI. The profit margin of the Private Operatorswould be around 25/26 percent.

27. The Committee asked on what basis 15% revenuesharing was arrived at and whether any study was made in
this regard. The Secretary replied that the Department obtained figuresfrom some of the Operators to make a sensitive
analysis as to whether they would be comfortably placed if the Departmentrecovered 15 percent of gross revenue as the license fee. The Departmentcame to the conclusion that 15% or even upto 20% would be much reasonablebecause the operators would still make profits. Anything lower than 15%would have amounted to an undue advantage to them.

28. To a specific query as to what would be the licensefee in the new regime, the Secretary replied that in future
the license fee would depend on the revenue of the licensees.

29. In response to another query as to how much moneythe Department expected in case the performance of
the private service Providers was as anticipated, Member (P) repliedthat the Department had collected Rs. 200
crore in advance as per the assessment of the Private Operators themselvesof their gross revenue for the first eight
months i.e. from 1 August, 1999 to 31 March, 2000.

30. In reply to another query by the Committee, theMember (F) stated that the amount collected was due to their
obligation of the Private Operators? When the Committee asked whetherthe obligation was to pay without setting up any telecom network, the Member(F) admitted that the observation of the Committee was absolutely correct.

31. The Committee notes that in terms of NewTelecom Policy, 1999 and subsequent Government approval on

March 26, 1999, a package for migration from fixed license fee to revenuesharing was offered on July 22, 1999 to
the existing cellular and basic service providers, to be effectivefrom August 1, 1999, which has been accepted by
all but one of them. This changeover from one regime to another waseffected as the Private Operators were not
implementing their projects on the ground that they were not viableunder the license fee system. The Committee
notes that two studies were made, one by Industrial Credit and InvestmentCorporation of India Ltd. (ICICI)
and the other by Bureau of Industrial Costs and Prices (BICP), to examinethe financial viability of the projects
under the revenue sharing system and based on their Reports, the Departmentushered in the new regime. The
Committee, however, finds that this switch over has cost the exchequermore than Rs. 2,700 crore and unduly
favoured the Private Operators. Under the new regime the Private Operatorswill not have any fixed liability
towards license fee and the payment will be made to the Departmentas and when those operators earn revenue .
In fact there will not be any compulsion on them for earlycommencementof obligatory services
32. It is significant and also surprising tonote that the Department wishes to fix the percentage sharing of the
revenue on the basis of sensitive analysis whether the Private Operatorswould be comfortably placed upon certain
percentage of revenue being made payable to the Department and thatfurther license fee will be determined on the
basis of the revenue earned by the licensee. It appears that the Departmenthas not made nor will make any assessment
or study of its own to determine the rates of profit sharing as alsoof license fee but will do so only
on the basis of the comfortable feelingof the Private Operators and the amount they each. The Committee noteswith concern that the
essential governmental function in a most vital sector of nationalecono9my has been dependent on the feelings and
performance of the Private Operators and not on any assessment of whatthey should be required
to share or pay. The Committee is surprised thatin these essential matters a totally ad hoc approach has been adopted andthe Department
as it were is only concerned to see that the Private Operators feelcomfortable and make whatever profits they earn
irrespective of their performance and not on what national interestdemands. The Committee feels that the Department
owes and explanation as to why the Department should only look aftermaking the private sector

viable and should not discharge its functionin providing requisite facilities to the people either through themselvesor though Private Operators
by making them accountable under enforceable terms and conditions.
33. The Committee notes that in January 1999, a sumof Rs. 3700 crore was outstanding against the Private
Operators as license fee and in February 1999, a proposal was madeto the Private Operators to pay at-least 20
percent of their outstanding dues to save termination of their licenses.On the day of migration i.e. the 31st July,
1999, the amount due was 3,268 crore but the migration package providesfor giving notional extension of effective
dates by six months which reduced the outstanding amount to Rs. 1,875crore. The Committee also notes that a sum
of Rs. 257 crore is to be realized from M/s Modicom, the CMT (Circle)Licensee in Punjab and Karnataka Service
Areas under the migration package. Needless to mention that the Departmentunder the new package is going to lose
around Rs. 2,000 crore in the light of the notional extension of effectivedates by six months given to the Private
Operators and the amount outstanding against M/s Modicom. The Committeeis, therefore, unable to find justification
of the new regime in view of the loss of revenue to the Departmentand the uncertainties still prevailing in the participation
and performance of the Private Operators.
34. The Committee notes that under the revenue sharingregime the Departments share will be 15 percent whereas
the profits of the Private Operators will be 25-26 percent. It is pertinentto note that 15 percent revenue sharing by the Department was decided eventhough the Department considered that upto 20 percent revenue sharing wouldhave been
much more reasonable. It opted for 5 percent less than what was reasonablefor reasons best known to the Department.
The whole approach of the Department seems to be to make things mucheasier for the Private Operators. The
Committee is not against private participation per se in Telecom services.But the overriding concern of the Department
should be to safeguard the national interest and Government revenue.Therefore, the Committee strongly disapproves
undue favours being given to the Private Operators at the cost of governmentrevenue and views that it is undesirable and unwarranted and against publicinterest.
35. The Committee is surprised to note that the Departmenthas collected Rs. 200 crore in advance as per the
assessment of the Private Operators with regard to their gross revenuefor the first eight months i.e

from 1 August,
1999 to 31 March, 2000. It is really unbelievable that without settingup any system network, they can part with
Rs. 200 crore in just anticipation of their gross revenue for the firsteight months. The Committee would, therefore,
like to caution the Department that allowing the Private Operatorson the drivers seat would lead to further loss of
legitimate government dues in the long run.

C. Impact of Tariff revision

36. TRAIs Tariff Order Notification dated 9 March,1999envisaged substantial increase in rental and local call
charges and significant reduction in STD/ISD rates. However, an alternatetariff package was announced on 27
March, 1999 which rolled back proposed increase in rentals and localcall charges for all rural subscribers as well
as urban low income groups making calls upto 200 units per month, anddecrease in existing free call limits for all
categories of subscribers. But it did not alter the charge in the reductionin Long Distance rates as suggested by
TRAI.

37. In this context, the Committee desired to knowthe impact of the tariff revision, as mentioned above, upon the
revenue of the Department. The Secretary, DTS replied that due to tariffreduction in long distance telephone, the
Departments internal resources had come down from Rs. 11,000 croreto Rs. 9000 crore although the overall
picture of internal resources looked better for the year 2000-2001as there were no dues for repayment of bonds
during that year.

38. Member (F) supplemented that there was likelyto be a drop of about Rs. 2,000 crore in the revenues of the
Department during the year 1999-2000 and the same trend would, expectedly,continue in the next year also. The
Department was, however, slightly comfortably placed for the next yearas there would be no repayment of the
past loans raised.

39. The Committee asked what would happen in the repaymentyear. The Secretary, DTS replied that it would
definitely be worse in the repayment year, but the Department was planningto meet the exigencies by increasing the
number of local telephone subscribers and also by diversifying intoother services like cellular services.

40. The Committee asked whether the Department wouldgo in for more borrowing in case of decline in its internal resources and what would be its effect on the plans and projectionsof the Department in the coming years.

41. The Member (F) replied that the Department didnot see any cutback in the plan at least in the next four or five years. The Department would make up the strain due to depletionof internal resources by going in for more borrowing. He simultaneously pointed out that since the existingborrowing was not more than 20 or 25 percent of the total plan outlay, they were somewhat comfortably placed.He admitted that the position would have been much more comfortable had tariff reduction in long distancerates not taken place to that extent.

42. In view of the emerging competition, strain oninternal resources, more borrowing from the market and an element of uncertainity, the Committee asked about the steps takenby the Department to meet the eventuality.

43. The Secretary, DTS replied that a review of thepossible areas could be done where resources could be mobilised through value added services, enhanced facilities and highspeed data .

44. The Member (F) submitted that with the improvementin technology, per line cost of the Department had come down to Rs. 33, 000. The Department, therefore, felt that evenif the current tariff rates lasted for longer period and there was no further reduction and the Department took advantageof the emerging market situation positioning themselves as the cellular service provider, then the Departmentwould be able to fulfil their commitments with an increase in the borrowing component upto about 25 to 30 percent.

45. The Committee notes that due to tariff reductionin long distance telephony the Departments internal resources have come down to Rs. 9000 crore from Rs. 11000 crore during 1999-2000.This trend is likely to continue for the next year also. That the Department has no liability for repaymentof bonds during the year 2000-2001 is hardly a matter of consolation in view of the fact that during the repaymentyear the position will further worsen. The Committee is also concerned to note that the Department is bound togo in for more borrowing to relieve the strain on internal resources arising out of tariff reduction in longdistance rates. In this regard

Committees
apprehension as expressed in one of its earlier Reports that the increasein rentals and local telephone rates would
not compensate the loss due to reduction in long distance rate, hasbeen proved correct. In case there is further
reduction in the long distance rates strain on internal resources wouldbe more severe and the Department would
be forced to go in for more borrowing from the market. The Committeewould therefore, like the Department to
explore and review all possible areas where resources can be mobilizedto meet its growth plans.

D. Reconstitution of TRAI

46. The Telecom Regulatory Authority of India (TRAI)was constituted in 1997 to regulate the telecom services
and decide matters connected therewith. By an ordinance issued in January,2000, the 1997 Act has been amended to reorganise TRAI and establish aTelecom Disputes Settlement and Appellate Tribunal (TDSAT).

47. In this context, the Committee asked about thenecessity of reconstitution of TRAI and in what respect it
would improve its functioning. In reply, it was stated that the TRAIAct, 1997 prior to its amendment had inter-alia
provided for discharge of recommendatory, regulatory, dispute settlementas well as adjudicatory functions by TRAI.
The regulatory functions of the TRAI were more or less in the natureof executive functions whereas functions of
dispute settlement were in the nature of judicial functions. This ledto some confusion about the role of TRAI vis-à-vis
the role of licensor viz; the Government as a result of whichthere was a spate of Court cases. In addition, TRAI
under the sections 11(1)(a), (b) and (f) of the earlier Act was therecommending authority for several actions to be
taken by the Department of Telecommunications (DoT).

48. Therefore, the Government felt that the licensor-licenseedispute might eventually involve the same issues on
which the TRAI might make recommendations on these subjects and therefore,there was a need to have a separate
dispute settlement and adjudication tribunal. For that purpose, thebody was reconstituted to bring about the desired
functional separation. This would inter-alia improve `investorsconfidence in the system and encourage them to
participate in the development of telecom infrastructure more enthusiastically.

49. During evidence the Committee queried about thetearing urgency for issuing the Ordinance . The Secretary,

DoT replied that there was a necessity to strengthen the entire systembesides clearing certain confusions and the
court cases which had arisen. Therefore, it was felt that it shouldbe done at the earliest.

50. The Committee pointed out that till date, theTribunal was not in position, the Chairman of TRAI had joined
only two/three days back, the part-time Members had not yet joinedand asked in the event of a dispute arising
immediately who would settle the same. The Secretary responded thatTRAI had been fully constituted.
The part-time Members would also join and they would participate asand when meetings are convened.

51. The Committee notes that in order to removecertain ambiguities and confusion, as visualized by
the Department the TRAI Act 1997 was amended early this year (2000A.D.). The TRAI has been
bifurcated and the judicial functions of the Authority have been vestedin the Telecom Dispute Settlement
and Appellate Tribunal (TDSAT). The pace at which it was carried outraises many eyebrows in the light
of the fact that till now the TDSAT has not been constituted, the parttime members of newly constituted
TRAI have not yet joined and even the Chairman was abroad and joinedalmost 2 months after promulgation
of the Ordinance. Therefore, Departments view that the TRAI was re-constitutedin a hurry to strengthen
the entire system defies logic in the light of the above mentionedfact. The Committee wonders how in the
absence of the TDSAT, the licenser licensee dispute, if any arisesimmediately, would be solved. The
Committee is of the opinion that taking recourse to the Ordinance inthis case has not been justified by the
subsequent events. In the circumstances, the Committee didnt haveany opportunity to give its views on
the TRAI Amendment Bill of 2000 before the Act was passed. As suchthe Committee will give its
comments on the new TRAI Act, 2000 at an appropriate occasion.

E. Indian TelephoneIndustries Ltd. (ITI)

52. The Committee was informed that the turnover ofITI during the year 1996-97 was Rs. 1021 crore with
a loss of Rs. 51 crore. But during the yeas 1997-98 and 1998-99 thecompany was able turn around and earn
profit of Rs. 15.26 and Rs. 27.10 crore with a turnover of Rs. 1270crore and Rs. 1539 crore, respectively.
The profit for the year the year 1999-2000(RE) was stated to be Rs.40 crore with a turnover of Rs.

1800
crore. The anticipated turnover and profit of the company for the year2000-2001 was stated to be Rs. 2000
crore and Rs. 63 crore, respectively.

53. As regards physical performance of the Companythe CMD, ITI apprised the Committee that the physical
production of the Company during the year 1999-2000 was very high ascompared to the previous year. The
Company was stated to have formed a separate IT Group to do the marketingof certain IT related products
like network management, billing, secrecy products etc

54. In view of the stiff emerging competition fromthe private sector, the Committee asked about the measures
proposed to face the challenge. The CMD, ITI replied that the companyhad taken very strong measures to be more
cost effective and more competitive. Major portion of the Companysinvestment was for upgradation and Moderanisation
of Technology. The CMD further stated that they have proposed an outlayof Rs. 90 crore for the next year out of
which Rs. 47 crore would be spent for Modernisation of Technology.

55. The Committee then asked how much money had beenearmarked for the R & D activity and whether any
budgetary grant was received in this regard.

56. The CMD replied that the expenditures of the Companyon R & D activity was about Rs. 30 crore and
for that no budgetary grant was received. He further stated that theyhad made a request in this regard in the
past which was turned down. But a rethinking was going on because theTelecom R & D had allocated a few
projects to ITI and the Company was therefore hopeful of getting somemoney out of that.

57. As regards the immediate problem being faced bythe Company, the CMD apprised that a heavy
infrastructure and an extra burden of 8000 manpower had become a matterof regular concern to the
Company.

58. To this the Committee suggested that the objectiveshould not be to somehow get rid of the manpower,
but how to utilise them. The CMD agreed and stated that by taking upmaintenance and installation work in a
massive way, the Company was retraining and redeploying their own manpowerinternally besides diversifying
into other areas which were more manpower intensive. The CMD furtherstated that the

Department (DoT)
needed some extra manpower and the Company was having a positive dialogueto ease the situation.

59. The Committee then asked the Secretary, DoT abouthis Departments support to the Company. He replied
that the Department was giving them fullest possible support by wayof all the procurement and paying advances for such procurement.

60. As regards an old loan which had accumalated intereston it, the Committee was informed that the initial
principal amount was Rs. 13.5 crore which has added to Rs. 21 crorewith interest as on 31 March, 1999. The
Committee enquired whether there was any problem in writing off theloan. The Secretary, DoT replied that the
proposal was made by ITI and the case was taken up with the Ministryof Finance. But that Ministry was not
infavour of ITIs proposal.

61. To this, the Committee suggested that at leasta moratorium could be declared so that interest did not
accrue. The Secretary, DoT assured that the suggestion of the Committeewould be kept in mind.

62. Referring to one of its earlier Reports wherethe Committee had recommended to defer the disinvestment
of ITI till it turned around, the Committee queried about the position.

63. The Secretary replied that originally there wasa proposal to disinvest upto 49 percent of the Company.
Then, pursuant to the Committees recommendations it was decided thatthe same might be deferred till the
Company turn around. The Secretary assured that a final decision inthis regard would be taken after considering
the views of the Standing Committee and other relevant factors.

64. The Committee is happy to note that ITILtd. which was on the verge of being referred to BIFR has
successfully turned around. The position looks much better for theyear 2000-2001 where the anticipated
profit will be around Rs. 63 crore. This turn around of the Companyhas been made possible due to
diversification of its products and timely corrective action. The Companyhas also formed a separate IT
Group to do the marketing of certain IT information related productslike network management, billing
etc. The Committee feels that these are steps in right direction inorder to sustain stiff competition from
Private Sector and would like the Company to continue diversifyingits products timely for its own survival.

The Department on its part should also ceaselessly provide a helpinghand.
65. The Committee is concerned to note that ITIsrequest for a budgetary grant towards its R & D activities
has been turned down. However, it finds some consolation in the factthat some rethinking is going on this matter
and the Committee hopes that grants would be provided to ITI for itsR & D activities keeping in mind the fact that the expenditure of theCompany is around Rs. 30 crore on this account.
66. The Committee is extremely happy to note thatby taking up maintenance and installation work in a massive
way, ITI has become able to retrain and redeploy its manpower besidesdiversifying into other areas which are more manpower intensive. The Committeelauds these steps of the Company in view of the fact that excess manpowerhas
always adversely affected the performance of the Company. However,now that the Company has decided to
judiciously utilize the manpower instead of getting rid of them, theDepartment should extend all possible help to
the Company in its mission. The Committee also desires that the requirementof manpower in DoT, wherever
possible, should be considered vis-à-vis the excess manpowerof ITI.
67. The Committee notes that for an old loan of Rs.13.5 crore which has become Rs. 21 crore with
interest as on 31 March, 1999, ITI has pleaded for writing off theloan but the Ministry of Finance has
unfortunately turned down the proposal of the Company. In this regardthe Committee would like the
Department to take up the case with urgency so that atleast a moratoriumcan be declared to prevent
accruing of further interest on the principal amount.
68. The Committee observes that there is a proposalto disinvest upto 49 percent of the Companys stake.
However, it was deferred on the basis of the recommendation of thisCommittee in one of its earlier Reports i.e.
not to disinvest the Company till it turns around. The Committee isof the opinion that there is no need to disinvest
Government stake in ITI Ltd. since it has become profitable and futurelooks more promising. It should continue
as a Government Company and further encourage indigenous efforts inthe telecom sector. The Committee
appreciates the efforts made by the Management, employees and workersof ITI Ltd. for the Companys revival
and vastly improved performance resulting in earning working profitsand hopes that the improved trend will

continue and the Department would finally abandon its proposal of disinvestment.

F. HTL

69. The Committee was informed that the turnover ofHTL during 1996-97 was Rs. 111.56 crore with a net loss
of Rs. 8.13 crore. During the year 1997-98, 1998-99 and 1999-2000 theturnover of the Company was Rs. 292.61
crore, Rs. 358.14 crore and Rs. 388.00 crore, respectively. The correspondingprofits during the same years were
stated to be Rs. 5.66 crore, Rs. 6.83 crore and Rs. 5.84 crore, respectively.The estimated sales turnover and profit
for the year 2000-2001 were stated to be Rs. 460 crore and Rs. 7.7crore, respectively.

70. During evidence, the CMD, HTL apprised the Committeethat both in respect of C-DoT Exchanges and new
technology Switching System, the Company had doubled their productionin comparison to the previous year. The
Company had also entered into new areas like Wireless in Local Loop(WLL), Managed Lease Data Network,
DLC and HDSL equipments.

71. The Committee asked whether the Company had gotany in-house R&D facilities. The CMD replied in the
affirmative and stated that last year the Committee had brought outthe HDSL system, Data Modem. V-90,
MAX-XL etc. from their in-house R&D facility which also helpedthe Company in technology absorption. The
R&D facility also helped the Company in validating a new systemand new collaboration activities.

72. The Committee enquired whether there was any reservationso far as DoTs purchase from HTL was
concerned. The CMD replied that procurement orders for the supply of10% Switching equipment, 15%
Transmission equipment and 50% Mechanical products were being receivedfrom the Department. The
Secretary, DoT assured the Committee that there would be no changein DoTs policy of procurement from
HTL.

73. As regards the disinvestment of HTL, the Committeeasked whether 100% disinvestment of HTL was on
the cards. The Secretary replied that the proposal for 50% disinvestmentwas there but offers received had not
been attractive for which it was under consideration whether the Governmentshould go beyond 50% disinvestment .

74. The Committee is pleased to note that HTL whichincurred a net loss of Rs.8.13 crore in 1996-97 has been

able to make profit of Rs. 5.66 crore, Rs. 6.83 crore and Rs. 5.84crore respectively in the next three financial years.

The Committee is also happy to note that the Company has entered into new areas like Wireless in Local Loop (WLL), Managed Lease Data Network,DLC and HDSL equipment besides doubling their products in respect of C-DoT

Exchanges and Switching system. It is also heartening to note thatthe Company has got in-house R & D facilities

which help it in technology absorption and new collaboration activities.These are all positive indications of the

imminent turn around of the Company and like ITI, HTL also badly needsthe positive and continuing.

75. The Committee notes that as per DoTs procurementpolicy it purchases from HTL 10 percent Switching

equipments, 15 percent transmission equipment, and 50 percent mechanicalproduct on preference basis. As assured

by the Secretary, DoT the Committee trusts that this procurement policywould continue in the coming years.

76. The Committee notes that it has been under considerationwhether the Government should go beyond 50 percent disinvestment of HTL.The Committee desires that its observations in this regard communicatedto the DoT in the earlier Reports be given due consideration before decidingthe future course of action. The Committee appreciates the strenuous effortsmade by the Management, employees and workers of the HTL Ltd. to improveits performance and the results they have achieved. It is hoped that inview of the considerably improved performance of the HTL Ltd., and itsprospects in the future, there will be no occasion to take recourse todisinvestment of HTL shares.

PART II DEPARTMENT OF TELECOM SERVICES (DTS)Demand No. 13

G. Financial Provision and Utilisation

77. The Budget Estimates (BE) of the Department ofTelecom Services (DTS) showing Plan and Non-Plan

Expenditure separately for the year 2000-2001 are as follows :-

(Rs. In thousands)

78. Scrutiny of the Detailed Demands for Grants (2000-2001)revealed that under the Major Head 5225 `Capital

Outlay on Telecom Services and Sub-Head 5250-220, the Budget Estimate(2000-2001) has been reduced to Rs.

1062, 76,55,000 from the Revised Estimate (1999-2000) projection ofRs. 1205, 21,07,000 for Telephone Exchange Automatic (Rural Area) whereasfor the same schemes in General Area and Tribal Area the BE (2000-1001)has been increased as compared to the RE (1999-2000). The Committee desiredto know why for Rural Area the BE (2000-

2001) has been reduced for Telephone Exchange Automatic.

79. The Department of Telecom Services (DTS) repliedthat there was an omission in the Calculation, while making the budgetaryallocation between Rural, Tribal and General Areas under the scheme, TelephoneExchange Automation. It was further replied that the omission though subsequentlyidentified, could not be corrected and necessary action to enhance budgetaryprovision in Rural Area under the abovementioned scheme would be takenup at the RE (2000-20001) stage.

80. The Committee then pointed out that no provisionhad been made in the BE (2000-2001) for Co-axial Cable Systems, other TrunkCables, UHF & VHF Relay Systems, Open Wire and carrier and HF RadioSystems in General Area, Tribal Area and Rural Area and wanted to be apprised of the reasons therefor.In reply it was stated that induction of Coaxial Cables and other Trunk Cables had been stopped in the DTS Network forwhich there was no procurement of these items and hence no budgetary provision had been made.

81. For another important scheme i.e Village PanchayatTelephones (VPTs) under the Sub-Head `522504210; the Committee pointedout that the RE (1999-2000) provision for Rural Area for the scheme wasRs. 2,45,72,00,000 whereas the BE (2000-2001) has been marginally reduced to Rs. 245,63,21,000.Explaining the reasons, the Department of Telecom Services in reply to a query by the Committeestated that provision in BE (2000-2001) was based on target fixed and budgetary cost estimates (cost per VPT inprevious two years was Rs. 61,136 and Rs. 54, 778 respectively). It was simultaneously stated that the provisionwould be reviewed at the RE (2000-1001) stage and enhanced if necessary.

82. For Telecom Factories under the Sub-Head `522505205it may be seen that the BE (1999-2000) provision was Rs. 12.92 crore, in the RE (1999-2000) it was reduced to Rs. 7crore and the BE (2000-2001) provided for Rs. 9.84 crore. The Committee desired to know the reasons for the same.It was replied that both RE (1999-2000) and BE (2000-2001) provision were based on the progress of the expenditurein the Plan Schemes of the Factories.

83. The Committee then pointed out that why a provisionof Rs. 94,26,00,000 had been made in the BE (2000-2001) under the Sub-Head `52250520695 for `Investment in Sankhya VahiniProject. It was replied that the cost of first tranche of 10,000 route kilometers of a pair of Dark Fibres workedout to Rs. 74 crore. In addition, in some of the Sectors, additional equipments would be required to spare the Fibres.Also to take care of

additional load on batteries
and power plant because of SVIL equipments, the battery and power plantneed to be upgraded alongwith the equipment upgradation wherever necessary.The cost of these items has been provided at Rs. 26 crore. Accordingly,Budget
Provision has been made for Rs. 100 crore which has been proportionatelyreduced to Rs. 94.26 crore consequent
on reduction of plan outlay for the year 2000-2001 from Rs. 16915 croreto Rs. 16000 crore.
84. The Committee in the course of evidence askedwhy a provision of Rs. 94.26 crore was made in the BE
(2000-2001) for `Sankhya Vahini which will be a joint venture projectwhich had not come into existence and
not even been signed as yet. The Secretary, DoT submitted that theprovision had been made in anticipation of
the joint venture being signed in the current financial year.
85. The Committee asked how just in anticipation sucha huge provision could be made in the Budget. The
Secretary replied that the joint venture was under negotiation, theProject had already taken certain shape and,
therefore, it was necessary to remain prepared with the Budgetary provision.
86. Referring to the Audit Report for the year endedMarch, 1998 the Committee pointed out that there was a
net saving of Rs. 1696,68,00,000 during the year 1997-98 which consistedof an excess of Rs. 356, 38,00,000
under the Revenue Section and a saving of Rs. 2053,06,00,000 as unspentamount under the Capital Section.
This saving of 1997-98 registered an abnormal increase of 322 percentover the previous year.
87. In this context the Committee desired to be apprisedof the savings during the years 1998-99 and 1999-2000
and the reasons for the same. In reply it was stated that there wasa net savings of Rs. 1203.26 crore which consisted
of an excess expenditure of Rs. 300.85 crore in Revenue Section andsavings of Rs. 1504 crore under Capital Section. Similarly, during 1999-2000a sum of Rs. 1285.49 crore under Revenue Section (Plan Rs. 43.99 croreand Non-Plan Rs. 1241.50 crore has ben surrendered. However, no saving/excessis anticipated under the Capital Section in 1999-2000.
88. The Committee notes that for Telephone ExchangesAutomatic (Rural Area) the Budget Estimate
(2000-2001) has been reduced to Rs. 1062,76,55,000 from the RevisedEstimate Projection of Rs. 1205,21,07,000.
The reason for such reduction has been stated to be due to an omissionin the calculation while making the Budgetary
allocation between Rural, Tribal and General Areas. That necessaryaction to enhance the budgetary provision in

Rural Area for the abovementioned scheme would be taken up at the RE(2000-2001) stage is hardly a matter of consolation in view of the fact that utmost care is required to bepaid while making calculation in such an important document and for such an important scheme. The Committee is of theopinion that this sort of omission, although may be unintended, gives wrongimpression.

89. The Committee notes that no provision has beenmade in the BE (2000-2001) for Coaxial Cable Systems and other Trunk Cables as induction of these equipments has been stoppedin the DTS network. But the Committee fails to understand why no provisionhas been made for UHF & VHF Relay Systems, open wire carrier and HFRadio Systems in the BE (2000-2001). It is imperative to know whether induction ofthese technologies have also been stopped. If it is other-wise, the Committeewould like to recommend that omission, if any, may be set right at theRE (2000-2001) stage.

90. In the case of Village Public Telephones (VPTs),the Budget Estimate (2000-2001) has been marginally reduced to Rs. 245,63,21,000 from the 1999-2000 RE projection of Rs. 245,72,00,000.Reasoning of the Department that the BE 2000-2001 is based on the target fixed and cost estimates is unacceptableto the Committee in the light of the fact that for 45,000 VPTs, higher amount was provided in 1999-2000 whereasfor 70,000 VPTs there is lesser provision for the year 2000-2001. The reasoning that cost per VPTs has come downand hence the reduction in estimates is not convincing if the target fixed for 1999-2000 is compared with thatof 2000-2001. Moreover, if the actual achievement of VPTs in the year 1999-2000 is taken into account the variation infund allocation seems to be more glaring. The Committee is also unable to appreciate the Departments view that theposition would be reviewed at the RE (2000-2001) stage and enhanced, ifnecessary. It fails to understand while full financial provisions are requiredto be made vis-à-vis physical target laid down for a scheme, why budgetary provision isleft, more often than not, to be reviewed at the RE stage and that toofor schemes like VPTs where the performance of the Department is far belowexpectations. The Committee is therefore, inclined to believe that theDepartment is not serious about implementation of the scheme during theyear and that physical targets might not be achieved.

91. The Committee notes with concern that for TelecomFactories the BE (1999-2000) provision was Rs. 12.92 crore which was reduced to Rs. 7 crore in the RE (1999-2000) and theBE (2000-2001) has been fixed at Rs. 9.84 crore. The Department has put forward the reason that for both theyears the RE (1999-2000) and BE (2000-2001) provisions were based on theprogress of the expenditure in the Plan Schemes of

the Factories. The Committeedoes
not consider it a convincing reason for reduced Budgetary allocationfor the Telecom Factories. As would be seen in a subsequent Chapter ofthis Report, the Department has expressed its reservation over the conventionalitems being
produced by these Factories which require a massive drive for modernisationand on the other hand it is trying to
justify the reduced allocation to these Factories. Therefore, contradictionshave to be reconciled and the Committee recommends that utmost urgent stepsshould be taken accordingly.

92. The Committee is surprised to note that a provisionof Rs. 94,26,00,000 has been made in the BE (2000-2001)
for a joint venture project called "Sankhya Vahini" which has not yettaken shape nor have legal requirements been met, Departments plea thatthe Project has taken certain shape which has necessitated the preparednesswith the Budgetary provision, is note conveneint in the sense that whilebudgetary provisions for important schemes like VPTs etc. are
invariably left to be reviewed at a later stage, here is a Projectfor which Rs. 94 crore and odd has already been
earmarked just in anticipation. The Committee is well aware of thefact that the schemes of the Department generally
do not suffer due to fund constraints but for some other reasons. Thatdoes not necessarily mean that the Department
should overlook its priorities and obligations while projecting itsBudget Estimates.

93. The Committee is anguished to note that duringthe years 1997-98 and 1998-99, there was a net savings of Rs. 1696,68,00,000and Rs. 1203,26,00,000, respectively. Similarly, during 1999-2000 a sumof Rs. 1285,49,000 was surrendered. The Committee views it to be bad budgetingand want that the Department should be more realistic in
projecting its estimates.

H. Physical Target and Achievement

94. As regards the Physical targets set andachievement made thereto during 1999-2000 (upto 29.2.2000) and the
target fixed for the year 2000-2001, the following statement was furnishedto the Committee.

	Schemes	1999-2000 Target ent upto	Achievem 29.2.2000	2000-2001 Target
)	Village Public Telephones(VPTs)	45,000	17,898	70,000
i)	Optical Fibre Cables (RKMs)	60,000	21,727	1,00,000

ii)	Local Switching Capacity (lakh Lines)	58.70	41,86	72.35
v)	Direct Exchange Lines (lakh Lines)	45.50	33.82	55.80
)	TAX Capacity (K Lines)	523.00	394.00	515.00
vi)	Microwave Systems (RKMs)	15,000	6,638	10,000

(i) VPTs

95. With a view to achieving the objectives of NewTelecom Policy, 1999; covering all the villages by 2002, a target of providing 70,000 VPTs was kept for the year 2000-2001 asagainst 17,898 VPTs provided during the year 1999-2000 (upto 29.2.2000). As on February 29, 2000, 3,58,538VPTs were provided. The balance of 2,48,953 was being targetted in a phased manner i.e. 45,000 in 1999-2000,70,000 in 2000-2001 and 95,000 for 2000-2002.

96. In this regard the Committee pointed out thatout of the 1999-2000 target of 45,000 VPTs the achievement upto 29.2.2000 was only 17,898 and asked what were the reasons forsuch a dismal performance and the measures taken to improve the situation.

97. It was replied that MARR technology did not proveto be satisfactory, its procurement was discontinued and therefore non-availability of suitable technology coupled with pooravailability of infrastructure facilities like electricity and road communication in rural areas and poor performance of privateoperators have primarily contributed towards under achievement of target in VPTs.

98. It was simultaneously stated that new technologieshad been identified to provide telecom facilities in villages in future.Trials were in progress for Wireless in Local Loop (WLL), C-DoT TDMA/PMPand Satellite Systems for remote and isolated areas. Process to procure the equipment for introduction ofthese technologies had been initiated and the equipment would likely tobe available in the next financial year i.e. 2001-2002. In addition, VPTswould continue to be provided on land lines upto a distance of 5 kms fromthe Telephone Exchanges for which more Exchanges would be opened duringthe next year.

99. The Committee pointed out during the course ofevidence that last year the Committee was assured that the new technologiesfor providing VPTs would be available from this financial year onwardsand desired to know the reasons

for which induction of new technologies for providing VPTs had beendelayed by one more year.
100. In reply the Member(P) submitted that field trialfor the Wireless in Local Loop (WLL) technology was on near Bangalore andonly after the tests were over to gauge its suitability, the equipmentwould be ordered for mass production.
As regards the C-DoT TDMA/PMP technology, he stated that 25 terminalswhich had been installed were in field trials
and based upon their performance orders for mass manufacture wouldbe placed. So far as Satellite technology was concerned, he apprised theCommittee that Orders had already been placed for 400 Systems and supplymight start
at any time.
101. To a specific query as to the break up of thetechnologies to be used for providing 70,000 VPTs during the year 2000-2001,the Member (F) replied that out of the 70,000 VPTs targetted for the year2000-2001, 55,000 would be achieved through the WLL technology, 5000 throughthe C-DoT, TDMA/PMP technology and the remaining 10,000
through land line i.e. traditional Wire System.
102. On the issue of participation of Private ServiceProviders in providing VPTs the Committee asked how many Private Operatorswere issued licenses to provide VPTs in how many states and what was theirperformance as on date. The Secretary, DoT replied that six Private Operatorswere issued licenses for providing Basic Telephone Services and out of
them only three Private Operators i.e. Bharati Telecom, Hughes IspatLtd. and Tata Teleservices were functional in Madhya Pradesh, Maharashtraand Andhra Pradesh, respectively. He elaborated that in the first yearof service i.e. by September 1998. Bharati Telecom was to provide 5,500VPTs in Madhya Pradesh, Hughes Ispat Ltd. also 4,000 in Maharashtra andTatas 9,635 in Andhra Pradesh. But only Bharati Telecom has so far provideda meagre 12 VPTs in Madhya Pradesh and others were yet to open their account.
103. Expressing its surprise over such a dismal performanceof the Private Service Providers in supplementing the efforts
of DTS, the Committee queried whether any time limit was prescribedfor accomplishment of the job assigned to the Private Operators and ifthere was any such prescription, whether any claim had been made for liquidateddamages.
104. The Secretary, DOT in response stated that asper the terms of the agreement liquidated damages worth Rs.
78.81 crore had already been claimed from the Private Operators. Healso apprised that five of the six licensees had
been asked to complete the committed VPTs by 30 September, 2000 andthe sixth one had been asked to do so by
4 March, 2001.
105. To this the Committee reacted that although theDepartment was charging liquidated damages from the Private Operators,what would be done about their obligations and what would be the plan ofaction on the part of the Department
in case there are further slippages by the Private Operators.

106. The Secretary, DoT and Secretary, DTS respondedthat there had been gross failure towards this commitment of Private Operators.They simultaneously assured that in case of further slippages by the PrivateOperators, the Department (DTS) would increase its target for providingVPTs.

107. The Committee then asked whether the PrivateOperators had indicated the technology they were going to use for
the VPTs. The Secretary, DoT replied that they had not indicated withreference to the technology they were going to utilise
but they had been asked to provide service of highest quality. He addedthat the Department was not sure about the
technology to be utilised by the Private Operators and a watch wouldbe kept on them.

108. When Asked whether the licensing agreement containedany provision in this regard or it was left to the Private Operators, theSecretary replied that there was no specific provision but the Departmentcould recommend in this regard.

109. The Committee then asked whether any data wasavailable or any study conducted to find out how many VPTs were functioning.The Secretary, DoT replied that at any point of time about 70 percent VPTsmight be functional. He further stated that a large number of them, fromtime to time, had operational problems because of their dependance uponbattery and not electricity. The system of monitoring, therefore, requiredto be made practical and instructions had already been issued in this regardto improve effective monitoring on fault reporting by making local officersresponsible and assessing their performance based on the functioning ofthese VPTs.

110. The Committee is constrained to note that inproviding Village Public Telephones (VPTs), the achievement of the Departmentupto 29 February, 2000 is a dismal 17,898 out of the target of 45000. Non-availabilityof suitable technology coupled with poor availability of infrastructurefacilities like electricity and road communication in Rural Areas as wellas poor performance of Private Operators have been stated to be the reasonsfor under achievement. These oft repeated reasons by the Department forits under performance are not at all acceptable to the Committee. Onlylast year, the Department had assured the Committee that the new technologieswould be deployed for providing VPTs every year and that further procurementof equipments based on MARR technology has been stopped since August, 1997.This time also the Department is repeating the same plea saying that thethree technologies viz Wireless in Local Loop (WLL), C-DoT TDMA /PMP andSatellite Systems would be installed after gauging their suitability forproviding VPTs . The Committee deprecates such a casual attitude of theDepartment towards such a vital sector and desires that these three technologiesafter their usual field trials be deployed immediately for providing VPTsin view of the failure of the MARR technology. The slow and unsatisfactoryperformance in the past in this field be made good by the end of the year.

111. The second reason i.e. poor availability of infrastructurefacilities like electricity and road communications in rural areas is alsounacceptable to the Committee in the sense that these are usual featuresand the Department was well aware of these constraints while fixing targets.So, there is no strength in this argument. The Committee, therefore, recommendsthat the Department, instead of taking recourse to excuses, take concretemeasures to ensure that achievements do not lag behind the targets.

112. The Committee is anguished to note that of thesix Private Operators who were issued licenses to provide VPTs, only threeOperators are reported to have started providing connections in MadhyaPradesh, Maharashtra and Andhra Pradesh. But the saddening part is thatout of these three operators only one has provided a meagre number of twelveVPTs in Madhya Pradesh and others are non-starters even now. It speaksvolumes of their laxity and lack of commitment to supplement DTS effortsin providing VPTs. That these operators have been asked by the Departmentto complete the committed VPTs by 30th September, 2000 provideslittle solace in view of the dismal track record in the last few years.The Committee therefore, urges upon the Department to gear itself up toprovide the targeted 70,000 VPTs for the year 2000-2001 without relyingupon the Private Operators who have lagged behind.

113. It is also intriguing to observe that insteadof closely watching the technology employed for providing VPTs by PrivateOperators the Department is not aware of it and yet exuding more confidencein their technology for no apparent reason, The Committee therefore, recommendsthat without being so optimistic about the technology of the Private Operators, the Department with the expertise at their disposal, should suggest thePrivate Operators something concrete in this regard.

114. The Committee is concerned to note that at anypoint of time about 30 percent VPTs do not function properly, as
stated by the Secretary in evidence. In the light of this fact, theeffective achievement as on February 29, 2000 comes somewhere near 2,58,000VPTs i.e. 70 percent of 3,58,538. Therefore, it is prudent to pay specialattention towards the maintenance and monitoring aspect of the VPTs alreadyinstalled so that the valuable assets are made use of by the people toachieve higher rate of growth.

(ii) Optical Fibre Cables (OFC)

115. As would be seen from the above statement thetarget for laying Optical Fibre Cables (OFC) was fixed at 60,000 RKMs forthe year 1999-2000 whereas the achievement upto 29.2.2000 was only 21,727.RKMs. In this context the Committee desired to know the reasons for sucha huge shortfall in OFC, likely achievement by the end of 31 March,
2000 and the measures taken to remove the constraints in achievingthe target. In reply, it had been stated that there could
be 10% shortfall in achievement of targets for lying OFC which wasmainly due to non-supply/poor supply of OFC cables
by certain vendors.

116. As regards corrective measures taken, it wasstated that action had already been taken to place orders this year
itself for 17000 RKMs of Optical Fibre Cables for use during the firstquarter of next year. In addition, the Circles have
been authorized to buy upto 25% of their requirement of HDPE Pipesagainst next years quota now itself so that the infrastructure work couldbe completed early and the work could commence as soon as the regular suppliesof Optical
Fibre Cables were received.

117. As regards the defaulting vendors who could notsupply the OFC in time, the Member(P) submitted in evidence,

that the Department placed orders with about 10-12 suppliers to ensurethat there was not much slippage on the target
but some suppliers . could not supply the cables at all. That was thereason for some slippages of the target.

118. The Committee enquired whether any action wastaken against the defaulting vendors. The Member(P) replied that the Departmenthad evolved a Strict Vendor Rating System as per which penalty to the tuneof 12% of the total cost was charged from the defaulting vendors.

119. The Committee then pointed out that laying ofCables had created problem for the people of the concerned areas becausethe contractors who were selected to undertake the job were leaving theareas in a mess creating so many difficulties for the residents of thoseareas. The Committee, therefore, suggested that there should be a propersupervision to set things right in the aftermath of laying cables.

120. To this the Secretary, DTS assured the Committeethat the Department would see that there would be a proper supervisionin this regard.

121. The Committee is unhappy to note that theachievement during 1999-2000 in laying Optical Fibre Cables (OFC) upto29 February, 2000 has been only 21,727 RKMs out of a target of 60,000 RKMs.Although the Secretary, DTS, appeared quite optimist and has stated thatthe likely achievement in this scheme would be
54,000 RKMs by the end of the year i.e. 31st March, 2000,the Committee finds it difficult to share his optimism. However, even ifthis statement is accepted, the Department would fall short by 10 percent.Here also the same plea of non-supply/poor supply of Cables/HDPE pipeshas been stated to be the reasons for non achievement of the target. TheCommittee fails to understand why no concrete action is being taken toprocure equipment timely when this problem is confronted each and everyyear. Moreover, the Committee had also recommended several times in thepast to remove the bottlenecks in timely procurement of equipment. TheCommittee strongly recommends the same this year also.

122. The Committee also desires that the VendorRating System devised by the Department to take action against the defaultingvendors should be made more stringent so that they are suitably penalizedin case of any slippages.

123. The Committee notes that laying of Cableshas created problems for the residents of concerned area because the contractorswho are selected to undertake the job usually leave the area in a messcreating manifold difficulties for the residents of the concerned areas.The Committee would, therefore, like to suggest that there should be aproper supervision to set things right in the aftermath of laying Cablesand the contractors be made liable to fulfill their contractual obligations.

(iii) OtherSchemes

124. It would be seen from the above statement thatin Local Switching Capacity the target for 1999-2000 was 58.70 lakh lines,the achievement upto 29 February, 2000 was 41.86 lakh lines. In DirectExchanges Lines (DELs) the target was 45.50 lakh lines and the achievement33.82 lakh lines, in TAX capacity the target was 523.00 K lines and theachievement 394.00 K Lines and for Microwave Systems the target was 15,000RKMs and the achievement 6,638 RKMs upto the same period. For the year2001-2002 the target for the abovementioned schemes has been fixed at

72.35lakh, 55.80 lakh, 575.00 K. Lines and 10,000 RKMs, respectively.

125. In this context the Committee asked the Secretary,DTS about the reasons for underachievement of targets in the abovementionedschemes upto 29 February, 2000. In reply, the Secretary stated that bythe end of the financial year i./e. 31 March, 2000 the Department wouldbe able to achieve the target in Switching Capacity, DELs, Tax Capacityand Microwave Systems although there would be slippages in OFC and VPTsas mentioned earlier.

126. Taking into consideration the achievement ofthe Department upto 29 February, 2000, the Committee asked what was thebasis of such confidence on the part of the Department in achieving thetarget in the abovementioned four schemes. The Secretary replied that theywere all in the final stages of testing and the latest figure of achievement,upto March, 2000 would substantiate that later on.

127. As regards the target fixed for the year 2000-2001for various schemes, the Committee asked whether the Department was ina position both financially and administratively to optimally meet thetargets. The Secretary, DTS replied that the Department was gearing upitself to meet the next years target by way of taking advance action onall fronts.

128. The Committee notes that in Local SwitchingCapacity the target for 1999-2000 was 58.70 lakh lines, the achievementupto February 29, 2000 has been 41.86 lakh lines. In Direct Exchange Lines(DELs) the target was 45.50 lakh lines and the achievement 33.82 lakh lines,in TAX capacity target was 523.00 K lines and the achievement 394.00 Klines and for Microwave System the target was 15,000 RKMs whereas the achievementhas been only 6,638 RKMs upto the same period. For the year 2001-2002 thetarget for the abovementioned schemes has been fixed at 72.35 lakh, 55.80lakh, 575.00 K Lines and 10,000 RKMs respectively. However, the Committeetrusts that the achievement in the abovementioned schemes would be optimalby the end of the year and hopes that there is no slippages therein. TheCommittee also hopes that the Department would take all advance measuresto see that targets fixed for the current year i.e. 2000-2001 are achievedwithout any shortfall.

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

(i) North_East Region

129. The Physical target set for the North-EastRegion for the year 1999-2000, the achievement made and the target for2000-2001 for various schemes are stated to be as under :-

	Schemes	1999-2000		2000-2001
		Target	Achievement upto 29.2.2000	Target
)	Village Public Telephones(NOs)	5000	731	8016
i)	Optical Fibre Cables (OFC) (RKMs)	1300	670	-

ii)	Local Switching Capacity (lakh Lines)	1,28,000 558	1,12,	1,31,000
v)	Direct Exchange Lines (lakh Lines)	1,00,000 3	75,54	1,05,000
)	TAX Capacity (K Lines)	24	14	-
vi)	Microwave Systems (RKMs)	1,,500 9	1,14	-

130. After going through the above statement, theCommittee desired to know the reasons for under achievement of target especiallyin VPTs and OFC in the North-East Region.

131. The Secretary, DTS submitted that in the caseof DELs , Switching Capacity TAX capacity and Microwave System
the Department would meet the target in North-East Region by 31 March,2000.

132. But so far as VPTs were concerned, he admittedthat the achievement was miserable due to technology problem as the Departmentwas not able to get a suitable equipment in time. However, field trialsof new technology were going on and the same were expected to be over ina month after which the Department would use the technology in a very largenumber to achieve the target in VPTs.

133. As regards Optical Fibre Cables it was statedthat there could be 20% shortfall for the North-East Region in the achievementof targets against OFC. Reasons for such under achievement was stated tobe non-supply of equipment and difficult working condition in the areaparticularly in Nagaland, Manipur and Tripura. However, action was statedto have already been initiated to procure the required quantum of equipmentfor executing projects for next year and priority was being accorded forsupply of equipment to the N-E region

134. Expressing its concern, the Committee asked whetherthe Department had made any special effort towards the North-East Region.The Secretary, DTS replied that the Department was trying to put up a specialprogramme for the North-East Region to ensure achievement of target. Headded that the Department wanted to provide a new technology to
the North-East area for VPTs.

135. Asked about the Task Force, the Secretary respondedthat there was a Task Force for implementation of these things in the North-Eastwhose job was only to do the installation work.

(ii) Tribal Sub-Plan

136. As regards target set under Tribal Sub-Plan (TSP)during 1999-2000 and the achievement made thereto the Committee was informedthat in Telephone Exchanges, Local Switching Capacity, Direct ExchangeLines (DELs) and Microwave Systems the target has almost been met. Butin the case of VPTs, out of a target of 10,000 during the year 1999-2000the achievement was a meagre 1,300 upto 29 February 2000. Similarly inSatellite Earth Stations the achievement was only 25 by the end of thesame period against a target of 73.

137. The Committee desired to know the action wasbeing taken by the Department to provide telephone facilities to the inaccessiblevillages The Secretary submitted that with a view to

concentrating on inaccessiblevillages the Department had started deploying Satellite terminals. Someof them had already been installed and another 400 such equipments wereexpected to be received in the next two months time.

138. The Committee is highly concerned to notethat for the North-East Region the target set for VPTs for the year 1999-2000was 5000 whereas the achievement upto 29.2.2000 has been only 731. A targetof 8,016 VPTs has been fixed for the year 2000-2001. Similarly, for OpticalFibre Cables, the achievement has been 670 RKMs out of a Target of 1300RKMs and no target has been fixed for the year 2000-2001. In Switchingcapacity the position is somehow better as 1,12,538 lakh lines have beenachieved out of a target of 1,28,000 lines. Out of a target of 1,00,000lakh Direct Exchange lines, 75,543 lakh lines have been achieved. A targetof 1,05,000 lines has been fixed for the year 2000-2001. In TAX capacity,the target was 24 K lines and achievement 14 K lines. No target has beenfixed for the year 2000-2001. Thus the Committee finds that the positionof telecom infrastructure in the North-East Region continues to be veryunsatisfactory The Department should make arrangement for effective monitoringand timely completion of projects as this area has remained neglected andvillages are spread over difficult and inaccessible areas. The strategiclocation and unrest in the area demands faster development of means ofcommunication.

139. The Committee notes that there is a Task Forcefor North-East Region to monitor installation work. The Committee feelsthat if the scope of the work of Task Force is widened to oversee and monitorthe implementation and commitment aspects, things may improve, in North-Eastregion. The Committee recommends accordingly.

140. The Committee is unhappy to note that in thecase of VPTs out of a target of 10,000 during the year 1999-2000 underthe TSP, the achievement has been only 1,300 upto 29 February, 2000. Similarly,in Satellite Earth Stations the achievement has been 25 by the end of thesame period against a target of 73. The Committee, however, draws someconsolation over the fact that the Department has already started deployingSatellite Terminals in North-East and Tribal Sub-Plan areas and expectsto receive 400 such equipments by the end of May, 2000. The Committee wouldlike the Department to expedite receipt of the Satellite Terminals, whichis considered a better technology for providing VPTs in remote and inaccessiblevillages.

J. Telephone on Demand, Tele-density and Waiting List

141. The New Telecom Policy 1999 pledges to achievea teledensity of 7 % by the year 2005 and 15 % by 2010. Another objectiveof the 9th Plan is to provide telephone on demand by 2002 withparticipation of private sector supplementing the efforts of the Departmentof Telecom Services. In this context, the Committee wanted to be apprisedof the level of private sector participation in accomplishing the abovementionedobjective and whether any alternate strategy has been worked out in casethe Private Sector fails to fulfill their obligations. In reply the Departmentstated that during the Ninth Five Year Plan a total of 237 lakh new telephoneconnections was estimated to be provided in the country collectively byDTS, MTNL and Private Operators. The share of DTS and MTNL was 185lakhs while the Private Operators were to provide 52 lakh lines. However,in view of the negligible contribution from private sector in the pastin this regard, the combined target of DTS and MTNL for the Ninth Planhas been proposed to

be increased from 185 lakh lines to 222.7 lakh linesin the Mid-Term Appraisal.

142. The Committee asked that even after reducingthe share of Private Sector from 52 lakh lines in the Ninth Plan to around15 lakhs in the mid-term review could the Department rely upon them tofulfill their albeit decreased obligations by the year 2002. The Secretary,DoT in response stated that in the eventuality of Private Operators notfulfilling their contractual obligations, it would be the endeavour ofDTS to execute the work themselves.

143. The Secretary, DTS supplemented that in orderto achieve the objective of Telephone on demand by the year 2002, the Departmentwas increasing its target every year. For example, in the year 1998-99it was 32 lakhs, in 1999-2000 38 lakhs, in 2000-2001 45.5 lakh and it wouldbe more than 55 lakhs in the year 2001-2002. With this increased targetcoupled with the hope of Private Sector participation, the Secretary, DTSexuded confidence in achieving telephone on demand by 2002. In reply toanother query, the representative of the Department of Telecom Servicesadded that the teledensity would be around 3.7 to 4 percent by the year2002.

144. State-wise details of tele-density and WaitingList as on 31 January, 2000 are as under:-

Sl.No	State/UT	Telephone Density	Waiting List
1.	Andhra Pradesh	2.11	5,90,0025
2.	Assam	0.82	18,416
3.	Bihar	0.51	1,41,285
4.	Gujarat	3.23	98,412
5.	Harayana	2.68	99,542
6.	Karnataka	2.85	3,95,538
7.	Kerala	4.20	6,86,677
8.	Madhya Pradesh	1.20	32,109
9.	Maharashtra	4.19	3,09,445
10.	Orissa	0.94	54,889
11.	Punjab	4.24	2,27,389
12.	Rajasthan	1.76	1,40,078
13.	Tamil Nadu	3.44	7,75,276
14.	Uttar Pradesh	1.01	3,60,272
15.	West Bengal	1.61	1,75,313
16.	Delhi	12.23	1,34,098
17.	Jammu & Kashmir	1.11	39,345
18.	Himachal Pradesh	3.44	36,765
(North East)			
19.	Tripura	0.94)	
20.	Manipur	0.83)	
21.	Meghalaya	1 .27)	
22.	Nagaland	1.23)	18,781
23.	Arunachal Pradesh	1.91)	
24.	Mizoram	2.67)	
25.	Sikkim	2.63)	

26.	Pondicherry	4.46	-
27.	Chandigarh	11.16	-
28.	A & N Island	4.22	1912
29.	D & N Haveli	3.05	-
30.	Daman & Diu	5.20	-
31.	Lakshadweep	10.49	-
32 .	Goa	7.13	-
33.	Mumbai		47626
34.	Calcutta		48851
35.	Chennai		24,303
	Total All India	2.20	44,51,447

145. As would be seen fromabove teledensity in some of the States like Assam, Bihar, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh, West Bengal, J &K and in almostall the North-Eastern States was abysmally low. Similarly, Waiting List for telephones was around 8 lakh in TamilNadu, 7 lakh in Kerala, 6 lakh in Andhra Pradesh and 4 lakh in Karnataka.

146. In this context the Committee desired toknow what action was being taken by the Department to improve the availabilityof telephones. In reply, it had been stated that higher weightage was givento the States where the teledensity was low while fixing the annual targetof DELs and allotment of equipments. It was further stated that normallythe target. (and consequently allotment of equipment) was kept in sucha way that it was nearly 50 % more than the existing waiting list so as to cater to the `hidden demand which cropped up as accessibilityimproved.

147. It was added that the Department had increasedphysical targets progressively with regard to the stipulations in the 9th plan proposals. Concessional registration fee wasbeing adopted by a few circles to increase the demand.
Moreover provision of cellular mobile telephones by DTS, MTNL and PrivateSector would also augment the telephone density. Asked about the concesionalregistration fee, the Secretary, DTS in evidence stated that for the firsttime the Department developed a market strategy through which the CGMswere authorised to reduce the registration charges. Accordingly, some ofthem did it for one or two weeks by reducing the charges from Rs. 3,000to Rs. 1,500 depending on the situation. Asked whether there were any guidelines on the basisof which such reduction was proposed, the Secretary replied that it wasdone on the basis of lesser number of demands. In other words, if the demandswere not coming up in a particular Circle, the CGM of the concerned circlewas empowered to do so. He further apprised that by doing so the Departmentwas not losing any money. Rather nearly 6.5 lakh new registration weremade in Tamil Nadu within a week.

148. To a specific query whether the increase in telephonetariff would have any adverse bearing upon the overall teledensity, it was replied that keeping in mind the adverse impactof the tariff proposed by the

TRAI, DTS announced
an alternate tariff package so as not to increase tariff in respectof customers in rural areas and low calling subscribers
in urban areas. It was done to ensure that the projected growth oftele-density was maintained and telecom services
were made available at affordable costs.

**149. The Committee notes that the New Telecom Policy,1999 aims to achieve a teledensity of 7 percent by
the year 2005 and 15 percent by 2010 as well as to provide telephoneon demand by 2002 with participation of Private Sector supplementing theefforts of the Department of Telecom Services (DTS). The Committee furthernotes that during the Ninth Five Year Plan a total of 237 lakh new telephoneconnections was to be provided collectively by DTS, MTNL and Private Operators- 185 lakh lines to be provided by DTS & MTNL and 52 lakh lines byPrivate Operators. However, at the time of Mid-term Appraisal consideringthe negligible progress made by the Private Operators share of DTS andMTNL has been raised to 222.7 lakh lines and the remaining 14.3 lakh linesare left to the Private Operators. The Committee apprehends that the PrivateOperators will not be able to provide even the reduced quota of 14.3 lakhlines by the targeted date as their efforts are is still lukewarm. Therefore,the Committee would again like the Department to go on its own to fulfillthe avowed objectives of the New Telecom Policy, 1999.**

150. The Committee notes that teledensity in someof the States like Assam, Bihar, Madhya Pradesh, Orissa, Rajasthan, UttarPradesh, West Bengal, Jammu & Kashmir and in almost all the North-EasternStates is abysmally low. Waiting List for telephone connections was around8 lakhs in Tamil Nadu, 7 lakhs in Kerala, more than 5 lakhs in Andhra Pradesh,4 lakhs in Karnataka and quite substantial in other States. The Committeenotes that higher weightage is being given to the abovementioned Stateswhile fixing the annual target of Direct Exchanges Lines (DELs). The Committeetrusts that utmost efforts would be made to realise enhanced targets ofDELs in the States where teledensity is low.

**151. The Committee notes that concessional registrationfee which has been recently innovated to improve the teledensity has broughtout the `hidden demand which the Department could not anticipate earlier.The Committee, would like the Department to gear up its machinery to meetthe progressive or the exponential
demand that may surge up in near future.**

**152. The Committee notes that in order to counterthe adverse impact of TRAIs tariff proposal on the overall teledensityof the Country, DTS has announced an alternate tariff package so as notto increase tariff in respect
of customers in rural areas and low calling subscribers in urbanareas. It is undoubtedly a well thought out
measure to ensure telecom service at affordable cost besides maintainingthe projected growth of teledensity.
Still, the Committee feels if this low-calling high-calling distinctionamong the urban subscribers persists for**

some more years, it might create an imbalance in the growth of teldensityand therefore, the matter need to be sorted out in consultation with TRAI.

K. Fault rate

153. As regards fault rate during the year 1999-2000the following information was furnished to the Committee.

154. It would be seen from the above statement that forMadhya Pradesh, North-East, Orissa and Tamil Nadu Circles, the target wasto bring down fault rate to 8 for 100 stations whereas it remained as highas 13.5. 10.8. 18.9 and 9.6, respectively. Similarly, in some other Circleslike U.P (W), Kerala, Karnataka, J&K etc, the achievement was verypoor and the fault rate remained much higher than the intended targets.In this context, the Committee desired to know the reasons for such a highfault rates in the above mentioned States, the measures taken to improvethe situation and the approximate time taken to rectify faults.

155. In reply, it was stated that such high faultrates were due to damage to the external plant which in turn was due todamage to Cables caused by road-digging activities of various agencies,theft of Cables, breakage of over-head lines and wires including dropwireand sometimes due to mishandling of telephone instruments resulting inbreakage and damage, In some other cases damage was due to flood/cyclones/water logging etc also.

156. With a view to achieving single digit fault rateby the end of the 9th Five Year Plan the Department is statedto have taken a number of measures as follows:-

I. Opening of more and more RLUs/RSUs in the networkto reduce the cable length serving the subscriber.

II. Laying of U/G cable in ducts.

III. Opening of more and more internal DPs.

IV. Introduction of modern technologies like WLL forproviding telephone connections

V. Providing the connections on OFC by use of DLCsin large multistoreyed buildings

VI. Training to skilled staff in modern technologies.

VII. Introduction of 5 pr. PIJF cable along with 5pr. DPs

VIII. Computerisation of FRS in more and more exchanges

IX. Provision of pagers to line staff

X. Replacement of old under ground paper core cableby jelly filled cable

XI. Up-gradation of external plant

XII. Introduction of IVRS

157. Percentage of faults cleared for telephone duringthe 3rd quarter of 1999-2000 in all India was stated to be asunder :-

1.Same day 55.3%

2.Next day 79.2%

3.Within 7 days 95.6%

158. The Committee asked about the special programmefor Orissa in view of the recent super cyclone which disrupted the entirecommunication network. The Secretary, DTS replied that although a lot ofdamage was done to the telecommunication system due to the cyclone, theDepartment with its efforts was able to restore telephone lines withina few days. However, due to inadequate power back up the Department hadto face a lot of constraints in restoring the lines.

159. The Committee is concerned to note that forMadhya Pradesh, North-East, Orissa and Tamil Nadu Telecom Circles, thetarget was to reduce faults to 8 per 100 Stations (Telephones + extensions)whereas the achievement has been 13.5, 10.8, 18.9 and 9.6, respectively.Similarly in some other Circles like U.P.(W), Kerala, Karnataka, Jammu& Kashmir etc. the achievement in fault rate reduction is very poor.This high fault rate, is stated to be due to damage and theft of cables,activities like road digging etc. by various other agencies, breakage ofoverhead lines, mishandling of telephone instruments besides natural calamitieslike flood, cyclone etc. The Committee is astonished over the persistinghigh fault rate in so many circles although the Department is stated tohave taken a number of measures like opening of more and more internalDPs, introduction of modern technologies like Wireless in Local Loop (WLL)for providing telephone connections, training to skilled staff in moderntechnologies, provision of pagers to line staff etc. The Committee is ofthe opinion that this is an area which requires the Departments seriousconsiderations an indepth study and introduction of appropriate administrativemeasures to tone up the administration in field formations with a viewto curbing the menace of high fault rates which, coupled with the relatedmalpractices, are spoiling the reputation of the Department. TheDepartment should make amends to the subscribers who suffer from recurringfaults.

160. The Committee notes that due to inadequate power backup theDepartment had to face a lot of problems to restore telephone lines inOrissa in the aftermath of the Super cyclone. In this context, the Committeewould like the Department to provide adequate number of generators notonly to Exchanges which have airconditioners but also to small Exchangeswithout having that facility, especially in the coastal areas where naturalcalamities like cyclone, flood etc. are common phenomena.

L. PCOs

161. The Committee was informed that as on date, 6,13,000 PCOs (local, STD and National Highway) were working in the countryTarget for the year 1999-2000 was 82,000 PCOs whereas the achievement upto31 January, 2000 was 92,000

162. The Committee enquired about the norms for PCO-population ratio. In reply, the Secretary DTS stated in evidence that thenorms for PCO-urban population ratio was 1:500 and as on 31 March, 1999the all India average was one PCO for 451 people. He simultaneously statedthat in some States the position was better and in some other States itwas very bad.

163. From a consolidated statement furnished to theCommittee it has been observed that PCO urban population ratio in Biharwas 1 : 876 in West Bengal 1 :777: in North-East 1: 714; in UP (E) 1:667and in some other States also it was more than 500 people for one PCO.In this context the Committee desired to be apprised of the prescribedguidelines and the measures taken to improve the position. In reply, itwas stated that the position in the abovementioned States was bad eitherdue to the inability of the Allotment Committee to meet (as in Tamil Nadu)or due to larger requirement in view of the population (as in UP, Biharand West Bengal) or due to difficult areas (as in North-Eastern Statesand Jammu and Kashmir). In order to meet the objective, it was stated thatall efforts were being made including the recent step to make the STD PCOsavailable liberally without requiring any committee to review and approvethe allocation and allowing additional

capacity utilisation in all Exchangesfor the purpose of providing PCOs.

164. The Secretary, DTS in evidence added thatsubject to some educational qualifications and unemployment position plusavailability of Exchange Capacity, it has been decided to allot PCO toanyone asking for it without any restriction. In reply to another queryin this regard, the Secretary deposed that the decision was taken threemonths back on the basis of the number of complaints that the Departmentreceived. The complaints were such that despite more demand, the Departmentwas not giving more STD PCOs. Therefore, the Department wanted to throwit open.

165. The Committee pointed out on the basis of therepresentations received from the public, that indiscriminate allotmentof PCOs was making PCO business non-viable. In this context, the Committeeasked whether any study was made to gauge the viability of PCOs.

166. The Secretary, DTS replied that they were gettinga fairly good amount of revenue from STD PCOs and if the business was non-viable,people would not come forward to take it. He, however, assured that theDepartment would have a look at the impact of liberalised allotment policyand if warranted, would bring out necessary changes in the policy.

167. As regards priority, it was stated that war widows/dependants,physically handicapped persons,. SC/ST etc. were given preference in allotmentof PCOs.

168. The Committee notes that the present PCO urbanpopulation ratio is 1:451 against the prescribed norm of 1 PCO for 500people. But the position is quite unsatisfactory in certain States likeBihar where it is 1:876, in West Bengal 1:777, in North-East 1:774, inU.P.(E) 1:667 and in some other States also it is much more than the prescribednorm of 1:500. The Department, of late, has fully liberalised the PCO allotmentpolicy and anybody unemployed and with the minimum educational qualificationscan be allotted a PCO. This indiscriminate allotment policy has resultedin mushrooming growth of PCOs in certain areas and thereby rendering manyof them unviable. The Committee desires that a study be made to gauge theimpact of the liberalised PCO allotment policy upon the viability of PCObusiness, particularly in those Circles where the PCO-population ratiois either too low or too high and in the light of the findings of the study,appropriate steps be taken.

M. OutstandingArrears

169. The C&AG Report for the year ended March,1998 indicated that an amount of Rs. 1228,59,00,000 was outstanding againstvarious categories of subscribers at the end of June, 1998. Of the totaloutstanding amount 84.48 percent was outstanding against the Private subscribers,4.04 percent against the Central Government Departments and 11.48 per centagainst various State Governments.

170. In this context, the Committee wanted to knowthe measures proposed by the Department to recover the outstanding duesand amount written off each year.

171. In reply it was stated that the particulars ofTelephone subscribers having outstanding of Rupees one crore and aboveas on 31st January, 2000 had been called for from the Circlesand the same would be supplied to the Committee as soon as the same werereceived from the field units.

172. As regards the amount written off, the Committeewas informed that during 1997-98, a total sum of Rs. 1,04,24,000 was writtenoff out of which DoTs share was Rs. 98,40,000 and MTNLs was Rs. 5,84,000.Similarly, during the year 1998-99 Rs. 1,43,22,000 - Rs. 1,33,63,000 inrespect of DoT and Rs. 9, 59,000 in respect of MTNL was written off .

173. As regards measures taken to recover outstandingdues the Committee was informed that Liquidation Boards as well as HighPower Committees were constituted in each Metropolitan District, MajorDistrict, SSA and Telecom Circles for reviewing the position of outstandingrevenues with a view to liquidating the same.

174. The Committee finds that an amount of Rs.1228,59,00, 000 was outstanding against various categories of subscribersat the end of June, 1998. Similarly, during 1997-98 a total sum of Rs.1,04,24,000 as outstanding arrears was written off out of which DoTs sharewas Rs. 98,40,000 and MTNLs Rs,. 5,84,000. During the year 1998-99 alsoa sum of Rs. 1,43,22,000 was written off in which DoTs share was 1,33,63,000and MTNLs Rs. 9,59,000. The Committee feels that procedure for recoveringand writing off the outstanding dues needs through scrutiny. The reasonsfor accumulation of arrears as high as Rs. 1228.59 lakh and writing offof crores of rupees each year require to be looked into very deeply andseriously and all necessary steps be taken to realise the revenue..

175. The Committee would also like to be apprisedof the particulars of telephone subscribers having Rs. 1 crore or aboveas outstanding arrears as on 31 January, 2000 and the reason for such accumulationand steps taken to recover the amount.

N. C- DoT

176. There is provision of Rs.166.00 crores as grants-in-aid for theCentre for Development of Telecmatics (C-DoT) for the year 2000-2001. TheRoyalty and misc. income of the Centre during the year is projected tobe Rs. 20.01 crores.

177. The Committee asked about the assistance providedand the actual requirement of the C-DoT during the year. In reply, theSecretary, DTS stated that the funds provided would be sufficient for theC-DoT to undertake its normal activities.

178. As regards the performance of C-DoT over theyears, the Secretary DTs apprised that earlier C-DoT was producing Exchangesupto 10,000 lines, subsequently it was raised to 40,000 lines and thenthere was a testing of C-DoT Exchanges upto 1.00.000 lines which was meetingall the specifications and which was available for hi-tech technologiesgiven by Siemens and Alcatel. Moreover ISDN lines, CCS-7 signalling systemsetc are now being done in C-DoT. Thus C-DoT technology is now at par withthe hi-tech technologies available elsewhere.

179. To a specific query as to how C- DoT was comparablewith multi-national companies like Alcatal and Siemens, the representativeof C-DoT apprised that C- DoT was recognised as having the technology atpar with them.

180. To another query as to how many Engineers werethere in C-DoT, the representative of C-DoT replied that there were about600 Engineers in the orgnaisation and the most glaring problem the organisationwas facing was the exodus of these Engineers due to lesser emoluments.Asked about the Departments endeavour in countering this menace, the Secretary,DTS submitted that this phenomenon could not be avoided as it was therein every research and development industry. The Member (F) supplementedthat they were trying to create a very good working environment and providingmany facilities including tools and instruments which were not availablein the Private Sector.

181. The representative of C-DoT added that with aview to checking the exodus certain measures like introduction of bondsystem, improvement of working condition and grant of

perquisites wereinitiated around the year 1990-91 . The Bond system failed as they paidthe money and went away, the perquisites granted was found to be insufficientand hence the problem persisted.

182. The Committee is happy to note that C-DoTis not suffering from any resource crunch and for the year 2000-2001, C-DoThas got Rs. 166 crore from the Department as grants-in-aid. It is alsoencouraging to observe that the Organisation which was earlier producingTelephone Exchanges upto 10,000 lines is now capable of providing Exchangesupto 1,00,000 lines of international standard. By producing ISDN line,CCS-7 signalling systems etc., C-DoT technology has been recognised ashaving the technology at par with multi-national companies. Even with somuch advancement which has brought laurels to C DoT, the Organisationneeds the patronage of the Department and the Committee hopes that thelatter will continue its support both financially and otherwise, for furtherdevelopment of the premier public sector telecom research organisaitonsof the country.

183. The Committee is, however, concerned thatexodus of trained manpower is still there in spite of various steps takenin this regard. . Even though a very good working environment has beencreated besides providing top class tools and instruments, there is nosign of improvement. The bond system and grant of perquisites which havebeen introduced to check exodus are not found to be successful. No doubtit is an universal pbenomenon, yet further steps should be devised includingimproved emoluments, more varied perquisites to make C-DoT more attractiveto the scientists, as the country can ill afford to lose them after investingheavily in their training and education. All efforts should be made tomake C-DoT and ideal research organization which will prove that this publicsector organization is second to none in its capabilities and achievements.

O. Telecom Factories

184. The capital expenditure of all the seven TelecomFactories was Rs 7 crore in the Revised Estimate (1999-2000) and the BudgetEstimates for 2000-2001 provides Rs. 9.84 crore for them. The provisionsare basically for the projects of new machinery, manufacture of new typeof equipments etc.

185. As regards the product developed by the TelecomFactories, the Member (P) apprised the Committee that the Calcutta TelecomFactory was making drop wire used for last connection distribution pointwhich helped immensely during the Orissa Super Cyclone. Wall-mounted DPBox was another product which was being produced in large quantities inCalcutta and Mumbai Factories. In Gopalpur, Calcutta and Mumbai Factoriesthere was a programme to assemble C-DoT equipment. Computers were alsobeing assembled in the Telecom Factories.

186. The Member(P) further added that there was aproblem of value addition in the Telecom Factories as they were producingequipments of old technology. The Member (F) added that these Factoriesneeded massive modernisation.

187. The Committee enquired how massive modernisationof these Factories could take place when the Budgetary support was toomeagre. The Member (P) stated in reply that there would not be any problemin giving them more money when they move further. Regarding DoT/DTS commitmentto purchase the products manufactured by the Telecom Factories, the Member(F)

apprised the Committee that the Policy of the Department was not togo to the market unless it first fully tapped all the available capacityin the Telecom Factories.

188. The Committee pointed out that the Departmentwas procurring equipment worth about Rs. 7,000 crore every year, but itprocured equipment worth Rs.230 crore only from its own factories in 1998-99and asked about the reasons for such a low procurement from its captiveunits. The Member (P) replied that the total production capacities of allthe Telecom Factories was less than Rs. 300 crore. He simultaneously statedthat the prices of some of the products of the factories was much lowerthan the price of similar things available in the market.

189. As regards physical target set and achievementmade by various Telecom Factories during 1998-99, the following informationwas furnished to the Committee.

190. After a perusal of these figures, the Committeeasked about the reasons for which there was such wide variations betweenthe target fixed and the achievement made. The Committee desired to knowwhether target fixed for Telecom Factories could be achieved within theexisting plants and equipments.

191. The Advisor (P) replied that it was possiblefor the Telecom Factories to achieve the target with the existing plantsand equipment. For that, in the months of January and February, concernedofficials of different Telecom Factories were called to the Headquartersto work out targets Again in September October a mid-course correctionwould be made, if necessary. He also stated that there were some slippagein some items during 1998-99 but the performance of the Telecom Factoriesduring 1999-2000 had been much better.

192. Referring to its previous years Report the Committeeasked whether a Product Development Group for Telecom Factories had beenset up and whether any Perspective Plan had been prepared for the Factories.The Member (P) replied that the Product Development Group had been setup, it was meeting every quarter in Delhi and was making visits to Mumbai,Calcutta, Jabalpur and other Factories to see how things could be improved**.**

193. The Advisor (P) supplemented by adding that thePerspective Plans had been drawn up by individual Factories and the Departmentwould have to integrate them together to see whether any mismatches werethere.

194. The Committee notes that Telecom Factoriesare producing equipments of old technology and they need massive modernization.In an earlier Report on Telecom Factories, the Committee has discussedtheir problems in detail. However, the Committee finds that budgetary grantof Rs. 9.84 crore to the Telecom Factories for the year 2000-2001 is toomeagre to undertake any worth while modernisation process. The Member(P)sstatement that there will be no problem in giving the Telecom Factoriesmore money when they move further, indicates optimism. But, it is alsoa fact that to move further these Factories need money. The performanceof the Telecom Factories in achieving the physical target during the year1998-99, where there has been wide variations between the target and achievement,indicates that they need funds to upgrade the existing plant and equipment,and meet their working capital requirements. Taking all the factors intoaccount the Committee feels that the onus lies with the Department to helpupgrade and modernise its captive units.

195. The Committee is happy to note that as perits earlier recommendation, a Product Development Group has been set upto see how things can be improved. Similarly, pursuant to the recommendationof the Committee, a perspective plan has been drawn up by individual Factoriesand the Department has to integrate them together to ensure that no mismatchesare there. While commending these steps to be in right direction, the Committeewould like the Department to ensure that plans drawn by Product DevelopmentGroup are implemented in letter and spirit and for all these purposes additionalfinancial provisions should be made.

P. MTNL

196. The physical targets set for MTNL during theyear 1999-2000 achievement made thereto upto 29 February, 2000 and targetfixed for the year 2000-2001, are stated to be as under :-

197. In reply to a query by the Committee about the workingof the Company, the CMD, MTNL stated in evidence that for the first twoyears of the Plan i.e 1997-98 and 1998-99, MTNL achieved 7.03 lakh linesin Switching Capacity against a target of 10.5 lakh lines. Similarly, inDirect Exchange Lines (DELs) the achievement was 6.41 lakhs against a targetof 8.41 lakhs for the same two years. During the year1999-2000, MTNLsswitching capacity addition would be 3.91 lakh lines against the targetof 5.70 and in DELs the achievement would be 3.5 lakhs against the targetof 4.25 lakh lines by the end of the financial year 1999-2000.

198. He apprised the Committee that the main reasonfor not meeting the target was due to the fact that in both the placesi.e. Delhi and Mumbai, telephones were available on demand except somepockets in Delhi. Otherwise the network was more or less available formaintaining the concept of Telephone on demand.

199. To this the Committee asked when waiting listas on 31 January, 2000 was as much as 1,34,098 in Delhi and 42,726 in Mumbai,how MTNL could claim of providing telephone on demand.

200. The CMD, MTNL replied that in Delhi there wasa mismatch between the demand projection that MTNL made area-wise and theactual demand that cropped up due to a new scheme i.e. concessional registrationfee. He simultaneously stated that whatever demand was there as on 30 June,1999had been cleared, MTNL had already analysed the additional demand , andwithin a period of 3-4 months it would be able to achieve the target inDelhi. So far as Waiting List in Mumbai was concerned, he assured thatit could be cleared even earlier than that of Delhi.

201. The Committee found from a statement furnishedto it that the fault rate in Delhi during 1999-2000 was 26.6 per 100 stationagainst a target of 17 and in Mumbai it was 12.1 against a target of 11during the same period. In the light of the abovementioned fact, the Committeeasked what measures were taken by MTNL to curb down such a high fault rate,especially in Delhi. The CMD, MTNL replied that the company had embarkedupon a massive rehabilitation scheme in Delhi and Mumbai, identified allthe Exchanges and Exchange areas where the fault rate was abnormally sohigh. The company had also earmarked a theme for one of those Exchangesto plan out and reduce the amount of overhead lines.

202. The Committee pointed out that the fault ratein MTNL areas was much higher vis-à-vis the DTS Network and whatmonitoring was done in this regard.

203. The CMD responded that there had been considerableimprovement in the last few months and many areas in Delhi had become faultfree. The measures to curb down the fault rate was being monitored by theChief General Manager himself. He submitted that, position would furtherimprove in near future.

204. Then the Committee desired to hear the viewsof the Secretary, DoT on this aspect, he candidly admitted that in spiteof its good image, MTNL had the highest fault rate per hundred in the countryand that both DTS and MTNL would have to improve their own response mechanismto their services.

205. In view of the emerging competition from thePrivate Sector, the Committee asked whether MTNL had any apprehension oflosing its customers and if so, what measures were proposed to counterthe same. In reply the CMD,MTNL clarified that on three issues a customermight move away from MTNL. One was due to technology i.e. although MTNLtechnology was very good upto the Telephone Exchange, it was not upto themark upto the subscribers premises. For that the company had to investa lot of money in improving the technology.

206. The second reason was due to poor or sub optimalcustomer care. The CMD, on the point elaborated that the people who interactedwith the customers might not be polished or had a monopolistic attitude.To change this attitude and to improve the performance of each individualof the company, MTNL proposes to spend a lot of money on training aspect.

207. The third most important reason was stated tobe conflict on the tariff front or underhand dealings and there the CMDpleaded his helplessness.

208. There are complaints that special facilitieslike DID PABX network facilities provided by MTNL to individual operatorswhich are meant only for use in high rise buildings are being misused andthe witness during evidence admitted that he was not aware of any misusethough he knew that such facility was provided.

209. The Committee regrets to note that MTNLsachievement in Local Switching Capacity (upto 29.2.2000) has been 3.01lakh lines out of a target of 5.70 lakh lines during the year 1999-2000.Similarly, in Direct Exchange Lines (DELs) the achievement was 2.72 lakhlines against a target of 4.25 lakh lines. Even if CMD, MTNLs claim thatthe Nigam would achieve 3.91 lakh lines in Switching Capacity and 3.5 lakhlines in DELs by 31 March, 2000, is accepted, there would be a shortfallof around 1.80 lakh lines in Switching capacity and appoximately one lakhlines in DELs. Aavailability of Telephones on Demands both in Delhi andMumbai - the reason advanced by the CMD for falling short of the target,is not convincing in view of the fact that as on 31 January, 2000 therewas a Waiting List of 1,34,098 in Delhi and 42,726 in Mumbai. The reasoningthat there was a mismatch between the demand projections and the actualdemand that cropped up due to the concessional registration fee - the reasonforwarded for the large number of Waiting List also speaks of the Companysunpreparedness in meeting the progressive demand. However, as assured bythe CMD, MTNL, the Committee would like the Nigam to analyse the hiddendemand and take all necessary measures, to eliminate the Waiting List.The Committee further recommends that target fixed for Switching Capacityand DELs for the year 2000-2001 should be strictly adhered to.

210. The Committee is anguished to note that faultrate in Delhi during 1999-2000 was 26.6 percent per 100 Stations againsta target of 17 and in Mumbai it was 12.1 against a target of 11 duringthe same period. It is really disheartening to note that the fault ratein MTNL areas is much higher vis-à-vis the DTS network despite somuch improvement in technologies. The Committee is therefore, inclinedto believe that side by side with technological improvement, the aspectof human element need greater attention and urgent action.

211. The Committee is concerned to note that althoughtelecom technology used by MTNL is very good upto the Telephone Exchange,it is not upto the mark from Exchange to the subscribers premises. TheCommittee is also concerned to observe that MTNLs customer care at besthas been at best sub-optimal only, MTNLs proposal to invest a lot of moneyin both training of personnel and improving the technology is a step inright direction. MTNL should not lose its direction particularly in theemerging competitive environment when it might lose customers to its competitorswho are expected to be in a better position technologically as well asin the matter of their resources .

212. **The Committee takes a serious noteof the instance of misuse of special facilities like the DID PABX networkwhich is meant for limited use in high rise buildings being misused forpurposes not meant for. The Committee desires that the Government shouldmake an early enquiry into it and put a stop to the misuse of this facility.The Committee wants that MTNL should provide such facilities itself.**

Q. Videsh Sanchar Nigam Ltd (VSNL)

213. Videsh Sanchar Nigam Ltd. (VSNL) is engaged inIndias International Telecommunications Services by providing necessarytransmission media, Gateway Switching Systems and Gateway Exchanges. Duringthe year 1999-2000, the Company earned profit of the Rs. 1389.33 lakh.For the year 2000-2001 the Company is likely to make a profit of Rs. 1606.27lakh. The Company had assured monopoly in international telecommunicationtill 2004 AD. However Government has recently allowed 8 private Companiesto set up telecom gateways in India. In this context, the Committee desiredto know the impact on VSNL of competitiors from Private Sector.. In reply,it was stated that with the commissioning of these Private Gateways, VSNLis likely to lose the revenues which accrue from the Internet Servicesprovided to leased corporates and Internet Services Providers (ISP). Itwas further stated that during the financial year 1998-99 the revenuesgenerated by leased lines (ISP) was Rs. 70 crore (approximatley) and byPrivate leased lines Rs. 246.5 crore. Assuming a 100 percent growth inInternet Services and a loss in market share of 50% to the Private ISPs,VSNL estimated a revenue loss of Rs. 70 crore owing to Internet leasedlines and Rs. 246.5 crore owing to Private leased lines during the nextone year.

214. It was also stated that the amount of proposedinvestment being made by each of these Private Gateway Providers mightnot be financially viable if the gateways are used for data traffic only.Hence the possibility of using these gateways for carrying voice traffic,which is not legal as of late , could not be ruled out.

215. The Committee learnt that `Iridium aninternational sattelite communication company has become bankrupt becauseof the failure of its sattelite projects. In this context, the Committeeasked how VSNL would be affected by the bankruptcy of `Iridium. In reply,it has been stated that VSNL had spent approximately Rs. 50 crore in thesetting up of a gateway at Pune for

providing `Iridium services. For operationand maintenance of gateway, the Company had entered into a separate agreementwith Iridium and VSNL was getting paid for the services rendered alongwithreimbursement towards electricity etc. With the declaration of bankruptcyby `Iridium the immediate loss to VSNL can be quantified as :-
(a) the annual fees for O & M services paid by IITL to VSNL willcease for the period commencing from 1.4.2000. The approximate annual feeis around Rs. 1.95 crore.
(b) the traffic revenue for the Iridium traffic handled at VSNL GDSwill cease from the period commencing from 1.4.2000.
216. It was simultaneously stated that the possibilityof finding alternate usage for the infrastructure created and the equipmentinstalled therein was being studied.
217. The Committee pointed out that anothermultinational Company i.e. ICO Global Communication had filed bankruptcyprotection in August, 1999 and that VSNL has invested $ 150 million init. In this context, the Committee desired to be apprised of the totalfinancial loss to VSNL on this account.
218. It was replied that as a result of reorganisationin ICO, the equity of all the existing shareholders put together was expectedto be reduced to approximately 1 % of the equity of the new ICO. This virtuallyresults in total loss of VSNLs investment. It was further stated thatthe valuation of the new ICO is at present non-determinate. However, allefforts are being made to redeem whatever amount is possible in the eventof ICO coming out of liquidation and successful reorganisation.
219. The Committee is concerned to note thatVSNLs estimated loss of revenue during the next one year will be aroundRs. 70 crore with regard to Internet Leased Lines and Rs. 246.5 crore onPrivate Leased Lines due to the permission to 8 Private Operators to setup telecom gateway in India. This estimated loss is based upon the assumptionof 100 percent growth in Internet Services and a loss in market share of50 percent to the Private Internet Service Providers (ISP). It is disturbingto note that the projects of Private Internet service Providers who havebeen licensed to set up their own gateways may not be financially viableif these gateways are used for data traffic only. Therefore, there is everypossibility of these gateways being used for carrying voice traffic. TheCommittee, is at a loss to understand how the Government has sanctionedunviable projects to the private sector who would eventually be non-starterlike private basic telecom service providers or would carry voice and datatraffic illegally at the cost of Videsh Sanchar Nigam Ltd. Prudence requiresthat all these aspects should be considered and views of Videsh SancharNigam ascertained before finally deciding the matter. In case Private InternetService Providers are allowed to set up gateways, interest of Videsh SancharNigam Ltd. should be properly safegaurded against illegal oversteppinginto its domain of voice traffic by incorporating suitable provisions inlicensing conditions.
220. The Committee also notes with concernthat bankruptcy of `Iridium will adversely affect VSNL. VSNL has spentRs. 50 crore approximately in setting up of a gateway at Pune for its servicesin India The loss has been quantified in the form of annual fees for O& M services at around Rs. 1.95 crore and loss of traffic revenue besidesreimbursement of certain ancillary services. Even though this is purelya business loss, the Committee

desires the infrasatructure created be putto alternate use at an early date.

221. VSNL is also going to lose its totalinvestment i.e. 150 million which has been made in ICO Global Commission.The Committee notes that efforts are being made to redeem whatever amountis possible in the event of ICO coming out of liquidation and successfulreorganisation. The Committee, would like to advise both DTS and VSNL notto lose track and get back whatever amount possible in view of so manyeconomic threats looming large over VSNL from so many angles. The Committeealso desires that a proper study should be made under what circumstancesand on what considerations VSNL entered into an agreement with `Iridiumto provide facilities that were set up at Pune.

R. Sankhya Vahini

222. A provision of Rs. 94.26 crore has beenmade in plan Budget for investment in `Sankhya Vahini- a Joint Sectorproject promoted by Department of Tele-communication Services with IU Net a fully owned subsidiary of Carnegie Mellon University, Pittsberg (USA)with 49 percent stake by IU Net, 45 percent by the Department of TelecomServices, 4 percent by Indian Educational Institutions and 2 percent bythe Ministry of Information and Technology.

223. Asked in this context, the Secretary, DoTstated that on the recommendations of the Task Force on Information andTechnology the project was taken up by the Department of Telecommunications.A Memorandum of Understanding was signed in October, 1998 between IU Netand DoT. The Telecommunication Commission was apprised about signing ofthe MOU in November, 1998. The Secretary DTS further submitted that theJoint Venture Agreement has not yet been signed. The Government has givenits approval and further follow up is to take place. It may be stated that`Sankhya Vahini when operational will become, a major backbone for veryhigh speed data transmission in India. `Sankhya Vahini is not expectedto carry voice traffic and whatever rules in this behalf are made by theGovernment will be binding on the Joint Venture Company as well. Clarifyingthe position further the representative of the Department of TelecommunicationServices (DTS) stated that after the letter from the Task Force was received,the Department had to follow the normal prescribed procedure of obtainingAdministrative approval which in this case happened to be of the Cabinet.

224. The Committee pointed out that before purchaseof any technology how a party was selected and not the technology. In reply,the Secretary, DTS stated that it was a particular technology coming inwithout any technology transfer because it was not the Department itselfwhich was purchasing the technology, but it was through a Joint Ventureof which the Department was expected to be a partner. It was both combined.

225. Asked whether suitability of this technologywas examined by the Department of Telecommunications, the witness statedthat the Department did not make any independent inquiry. He further clarifiedthat it was the decision of the Task Force.

226 . In a note submitted to theCommittee the DoT has stated that IU Net would sell to `Sankhya Vahiniequipment for business of the company, the equipments sold to the Companyshall be free from encumbrances. The projects consideration to be paidby the Company to IU Net for the equipment shall be adjusted against theshare subscription amount to be paid by IU Net. In the event or any furthersubscription amount to be paid beyond the value of the equipment, the sameshall be tendered in cash by IU Net. IU Nets purchases shall be

scrutinisedand surveyed by the recognised International Valuers recommended by thePresident of IU Net and agreed to by Telecom Commission.

227. There has been a lot of controversy goingon about this joint venture in the Press. It is feared in certain quartersthat the Project would open the floodgates for espionage, interceptionof scientific data, telephonic conversations and Fax messages and E-Mailby a foreign power. It is also alleged that well-established proceduresin clearing such projects have been flouted and it could become a majorsecurity threat. It is also alleged that some other Organisation may bea Multi-National Telecommunication Company is behind IU Net. It is nota Company that conforms to the definition of the term.

228. Asked about the credibility of IU Net,the Secretary, DoT stated that it gets its status as a subsidiary set-upby Carnegie Mellon University (CMU).

229. Member, Technology submitted that thiswas a new type of technology which gives a very high bandwidth. He furtheradded that 2 or 3 years back there was something coming up, now 4 or 5companies are making this technology and it is really a futuristic technology.

230. Asked Whether DoT was examining the othersimilar technologies, the Secretary, DTS replied that at the moment theproposal was to go ahead with this Joint Venture and the Government hadgiven the approval. The details were being worked out and there was nochange in that.

231. The Committee pointed out that since thereare similar other technologies available for the similar purpose, whetherDoT has any Plan to look into them. In reply the Secretary, DTS statedthat the Joint Venture would look at the technologies which would be availablein the market. It is not that the technology would come only from CMU,they would also be going to other suppliers. He further clarified thatthe equity participation by DTS is by way of `Dark Fibre and out of theBE (2000-2001) projection of Rs. 94 crore a sum of Rs. 74 crore is towards`Dark Fibre.

232. The Committee learnt that the cost of theJoint Venture as per rough estimates is stated to be more that Rs. 1300crores and thus the capital investment by DTS is going to be much higher.

233. Asked about the security concern beingvoiced by certain quarters, the Secretary, DTS stated that the securityconcern will be built into the licence and the company would have to followthat.

234. The Committee is concerned to note thatthe Department of Telecom Services has decided to enter into a Joint Ventureproject with IU Net a fully owned subsidiary and Carnegie Mellon University(CMU), Pittsberg, USA to set up `Sankhya Vahini without undertaking anystudy about the technology available with the Company and its competitors.Merely on the recommendations of the Task Force on Information Technologythe project having millions of capital investment has been taken up anda provision of Rs. 94.26 crore has been made in the Budget Estimates forthe year as an initial investment. The prescribed procedure for enteringinto a Joint Venture has not been adhered to in this case.

235. A lot of apprehensions have been expressedin certain quarters about an investment of about Rs. 1300 crore withoutgoing through the required formalities. It is also feared that the projectwould open floodgates for espionage, interception of scientific data, telephonicconversations, Faxes and E-Mail. The Committee is deeply concerned aboutit.

Since there are other competitors elsewhere with the similar technology,the Committee would like the Department to make an in-depth study beforetaking concrete step, to give shape to the Joint Venture and also redressthe apprehensions being expressed publicly.

236. The Committee would also like to beapprised how without any initial study a project costing Rs. 1300 crorehas been taken up. There are many other provisions in the MOU which givesrise to suspicion and apprehensions. A - part of the projects considerationto be paid by foreign collaborator, i.e., IU Net is in the shape of equipmentwhich as per MOU are to be scrutinised and surveyed by a recognised InternationalValuers recommended by the President of IU Net and agreed to by TelecomCommission. Such provisions require a close scrutiny.

237. The Committee, therefore notes thatthe proposed Joint Venture partner namely IU-Net will not be investingany amount in cash and the sale price of its products to be purchased bythe proposed Joint Venture will represent its equity. Thus without actuallyinvesting in cash IU-Net becomes the major shareholder owning 49 percentshare. The first Chairman of the proposed Company would be a nominee ofIU-Net to be selected in consultation with DTS, will hold the post forthree(3) years with possibility of extension for further two(2) years withconcurrence of DTS. IU-Net and DTS will have equal number of directorsin the proposed Board and the Managing Director of the proposed Companywill be selected by the Board.

238. What strikes to the Committee is thatit is a case of DTS which has technical expertise, being asked to implementa decision taken by the National Task Force which has selected the proposedpartner, the technology, the price payable therefore and also the specialset up of the proposed Joint Venture. It appears that CMU proposed to setup IU Net and it appears that a Memorandum was entered into with the proposedset up namely, IU-Net before its actual formation.

239. It is not known to the Committee whatexpertise the National Task Force had in selecting one of the many similartechnologies and one what basis a particular Joint Venture partner wasselected when admittedly similar technologies are available. There is nomaterial whatsoever to indicate that any assessment was made of the suitabilityof the different similar technologies in Indian conditions and about thechoice of partner. It is obvious that it is not known to DTS about theconsideration that weighed with the National Task Force. Thus, it appearsthat a technology was selected amongst many similar technologies and aparticular concern was chosen to be a partner without any evaluation ofthe merits of the one of the similar technologies and of also other possiblepartners. How was the cost of the equipments was decided upon in the absenceof any tender or quotations from similar technology suppliers need to beclarified.

240. Since as reported to the Committee noJoint Venture has in fact been entered into up till now. The Committeestrongly recommends that the matter should be looked into in-depth andfullest disclosure should be made as to why a particular technology hasbeen selected without following the usual procedure and why DTS was keptout of the process of evaluation. The Committee, strongly recommends afull review of the matter before the Joint Venture Agreement is finallyentered into.

NEW DELHI; SOMNATH CHATTERJEE
13 April, 2000 Chairman,
24 Chaitra, 1922(Saka) Standing Committee on Communications