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STANDING COMMITTEE ON

INFORMATION TECHNOLOGY

(2014-15)

SIXTEENTH LOK SABHA

MINISTRY OF COMMUNICATIONS & INFORMATION TECHNOLOGY

(DEPARTMENT OF TELECOMMUNICATIONS)

DEMANDS FOR GRANTS

(2014-15)

THIRD REPORT

LOK SABHA SECRETARIAT

NEW DELHI

December, 2014/Agrahayana, 1936 (Saka)

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STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2014-15)

(SIXTEENTH LOK SABHA)

MINISTRY OF COMMUNICATIONS & INFORMATION TECHNOLOGY (DEPARTMENT OF TELECOMMUNICATIONS)

DEMANDS FOR GRANTS (2014-15)

Presented to Lok Sabha on 22nd December, 2014

Laid in Rajya Sabha on 22nd December, 2014

LOK SABHA SECRETARIAT

NEW DELHI

December, 2014/Agrahayana, 1936 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2014-15)

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19. Shri Ramdas C. Tadas
20. Smt. R. Vanaroja

21. **VACANT

Rajya Sabha

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23. Shri Salim Ansari
24. Smt. Jaya Bachchan
25. Shri Vijay Jawaharlal Darda
26. Shri Santiuse Kujur
27. Shri Derek O'Brien
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31. **VACANT**

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2.	Shri J.M. Baisakh	-	Director
3.	Dr. Sagarika Dash	-	Deputy Secretary
4.	Shri Shangreiso Zimik	-	Under Secretary

* Nominated to the Committee w.e.f. 11.09.2014 *vice* Shri Feroze Varun Gandhi, M.P., *vide* Bulletin Part – II w.e.f. 11.09.2014

** Shri Deepender Singh Hooda, M.P. Lok Sabha ceased to be a Member of the Committee as he has been shifted to the Committee on Energy *vide* Bulletin Part - II w.e.f. 14.11.2014.

Shri Md. Adeeb, M.P. Rajya Sabha ceased to be Member of the Committee consequent upon his retirement w.e.f. 25.11.2014.

List of Abbreviation

3G	-	Third Generation
4G	-	Fourth Generation
ARPU	-	Average Revenue Per Unit
BBNL	-	Bharat Broadband Network Limited
BE	-	Budget Estimate
BSNL	-	Bharat Sanchar Nigam Limited
BTCL	-	Bangladesh Telecom Communications Limited
BWA	-	Broadband Wireless Access
Capex	-	Capital Expenditure
C-DoT	-	Centre for Development of Telematics
CMS	-	Centralized Monitoring System
CPSU	-	Central Public Sector Undertaking
DIR	-	Detailed Project Report
DoT	-	Department of Telecommunications
DPE	-	Department of Public Enterprises
DS	-	Defence Service
ECR	-	Energy Commission Rating
EMC	-	Electronic Manufacturing Clusters
GBS	-	Gross Budgetary Support
GPoN	-	Gigabit Passive Optical Netwok
GSM	-	Global System for Mobile
HPIL	-	Hexagane Private Investment Limited
IEBR	-	Internal and Extra Budgetary Resources
ITI	-	Indian Telephone Industries
LEA	-	Law Enforcement Agency
LSA	-	License Service Area
LTE	-	Long Term Evolution
LWE	-	Left Wing Extremism
MAT	-	Minimum Alternative Tax
MoU	-	Memorandum of Understanding
M-SIPS	-	Modified Special Incentive Package Scheme
MTNL	-	Mahanagar Telephone Nigam Limited
NEP	-	National Electronic Policy
NFS	-	Network for Spectrum
NICF	-	National Institute of Communications Finance
NoFN	-	National Optical Fibre Network
NTP	-	National Telecom Policy
OFC	-	Optical Fibre Cable
Opex	-	Operational Expenditure
QoS	-	Quality of Service
R&D	-	Research and Development
RE	-	Revised Estimate
RFD	-	Result Frame Document
SCC	-	Steering Committee Clusters
SLA	-	Service Level Agreement
TCIL	-	Telecommunications Consultants India Limited
TDIP	-	Technology Development and Investment Promotion
TDSAT	-	Telecom Dispute Settlement Appellate Tribunal
TERM	-	Telecom Enforcement and Resource Monitoring
TRAI	-	Telecom Regulatory Authority of India
TSPs	-	Telecom Service Providers
USOF	-	Universal Service Obligation Fund
VSAT	-	Very Small Apperture Terminal
WMO	-	Wireless Monitoring Organisation
WPC	-	Wireless Planning Coordination

INTRODUCTION

I, the Chairperson, Standing Committee on Information Technology (2014-15), having been authorized by the Committee to submit the Report on their behalf, present this Third Report on Demands for Grants (2014-15) of the Ministry of Communications and Information Technology (Department of Telecommunications).

2. The Standing Committee on Information Technology (2014-15) was constituted on 31st August, 2014. One of the functions of the Standing Committee, as laid down in Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, is to consider the Demands for Grants of the Ministry/Department concerned and to make a Report on the same to the House.

3. The Committee considered the Demands for Grants pertaining to the Ministry of Communications and Information Technology (Department of Telecommunications) for the year 2014-15 which were laid on the Table of the House on 4th August, 2014. The Committee took evidence of the representatives of the Department of Telecommunications on 29th September, 2014.

4. The Report was considered and adopted by the Committee at their sitting held on 18th December, 2014.

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

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

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

ANURAG SINGH THAKUR
Chairperson
Standing Committee on
Information Technology

New Delhi
16 December, 2014
25 Agrahayana, 1936 (Saka)

REPORT

PART- I

Introductory

Telecommunications has seen impressive expansion and large investments in the past several years, with teledensity increasing from 26.2 per cent in 2008 to more than 75.23 per cent in 2014. This expansion has been led by private sector service providers whose market share (in terms of number of connections) increased during this period from 73.5 per cent to 87.13 per cent.Today, India's 933.01 million (including 904.51 million of wireless telephony) strong telephone network is the second largest wireless network in the world. The mass market growth in India is led by the mobile segment. This growth in the telecom network has resulted in an overall teledensity of 75.23% at the end of March 2014. The target of 500 million connections by December 2010 was already achieved by September 2009. This growth in the telecom sector is attributable not only to the proactive and positive policy initiatives of the Government but also to the entrepreneurial spirit of various telecom service providers, both in the public and private sectors.

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

3. The Department of Telecommunications (DoT) which forms part of the Ministry of Communications and Information Technology is responsible for policy formulation, licensing, wireless spectrum management, universal service obligation and the administration of various Acts pertaining to telecommunication.

4. The vision of the Department are to develop a strong and vibrant technology neutral telecom sector, with enhanced participation of private sector that can propel India into the forefront among the global economic superpowers with high quality and cost-effective telecom infrastructure and services support, ensure that India’s rural masses have easy access to the info-highways leading to education, knowledge, commerce and health, thereby bridging the digital divide, provide opportunities for private investment both in the services sector and the manufacturing sector leading to creation of employment, particularly in rural areas, and keep India technically advanced and to initiate R&D in cutting-edge telecommunication technologies.

5. With a view to promoting quick decision making and development in all aspects of telecommunications, including technology, production services and financing, etc., the Government of India established a Telecom Commission with the necessary executive, administrative and financial powers to deal with various aspects of telecommunications, modelled on the lines of Atomic Energy Commission/Space Commission. The Telecom Commission, which consists of a Chairman and four full time and four part-time Members, functions under the Ministry of Communications and

Information Technology. Till 30.9.2000, the Commission directly oversaw the operations and the developmental activities of the Department of Telecom Services. After the formation of BSNL, it remains responsible for policy matters, licensing, spectrum management and co-ordination.

6. The Committee, in this Report, have *inter-alia* analysed the position of Outlay and expenditure, particularly, the performance of the Plan schemes which are carried out with the IEBR, GBS and USOF component of the Plan Outlays in examination of the Demands for Grants 2014-15 of the Department of Telecommunications.

II. IMPLEMENTATION STATUS OF THE RECOMMENDATIONS CONTAINED IN THE FORTY-THIRD REPORT ON DEMANDS FOR GRANTS 2013-14 OF THE DEPARTMENT OF TELECOMMUNICATIONS

7. The Standing Committee on Information Technology presented their Forty-third Report on the Demands for Grants for the year 2013-14 relating to the DoT to the House on 30th April, 2013. The statement indicating the status of implementation of recommendations contained in the Forty-third Report was made by the Minister in Lok Sabha on 16th December, 2013 and in Rajya Sabha on 17th December, 2013 in pursuance of Direction 73A of the Directions by the Speaker. The Fifty-first Report on Action Taken by the Government on the Forty-third Report on the Demands for Grants for the year 2013-14 was presented to Lok Sabha on 17th December, 2013. Out of 20 recommendations contained in the said report, 11 recommendations were accepted by the Government. Replies to 07 recommendations were found to be of interim nature on which final replies have been sought from the Ministry. The replies of the Government in respect of 02 recommendations were not accepted by the Committee. The Committee reiterated these recommendations in their Fifty-first Report. The final Action Taken Statement on the recommendation contained in the Fifty-first Report has been received and will be laid in Parliament in due course.

III. Budget Analysis of the Department of Telecommunications (2014-15)

8. The Department of Telecommunications presented Demand No. 14 for the Financial Year 2014-15 on 4th August, 2014. The Plan and Non-Plan provisions made in the Revenue and the Capital Sections of the Budget are as under:-

(Rs. in crore)

Heads	Plan	Non-Plan	Total
Revenue Section	7335.00	6932.06	14267.06
Capital Section	3702.00	96.00	3798.00
Grand Total	11037.00	7028.06	18065.06

(i) Comparison of Demands for Grants 2013-14 and 2014-15

9. A statement showing the Budget Estimates for the year 2014-15 *vis-à-vis* the Budget Estimates/Revised Estimates/Actuals (BE/RE/Actuals) of 2013-14 is given as under:-

(Rs. In Crore)

Heads	**BE 2013-14**		**RE 2013-14**		**Actuals**		**BE 2014-15**		**Exact status of utilization upto September, 2014**	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
Revenue Section	6289.72	5903.17	6288.03	6341.10	4578.98	6053.78	7335.00	6932.06	1206.91	3562.92
Capital Section	2510.28	--	361.97	--	215.35	0.00	3702.00	96.00	2.24	104.00
Grand Total	**8800.00**	**5903.14**	**6650.00**	**6341.10**	**4794.33**	**6053.78**	**11037.00**	**7028.06**	**1209.15**	**3666.92**

10. When the Committee enquired about the reasons for under-utilization of funds under Plan head, the Department, in a written note, have submitted as under:-

(Rs. in Crore)

Scheme/ Item	**Fund Provision (RE 2013-14)**	**Actual Utilization 2013-14**	**Varia-tion**	**Reasons for variation**
WMO	6.50	3.88	-1.75	Non-completion of process for procurement of Vehicle Mounted/Portable V/UHF Terminals and SHF Microwave Terminals (WMO)
WPC	2.90	1.37	-1.53	Due to under-utilisation of funds provided for Machinery and Equipment
TRAI	22.00	22.00	0.00	---
TDSAT	1.28	0.40	0.88	--
TEC	2.23	0	2.23	Non-completion of validation for implementation of project
C-DOT	250.00	224.25	25.75	Delay in finalisation of tender process/ execution of work
TDIP	0.60	0.26	0.34	-----
OFC based network	350.00	211.51	138.49	Non-finalisation of NFS project by BSNL

(DS)				
NICF	13.45	3.76	9.69	Non-finalization of project approval for construction of(NICF) building/infrastructure for training centre
Compensation to service providers	3000.00	2163.45	836.55	Non-approval of scheme for providing mobile services in Left Wing Extremist affected areas
Transfer to USOF	3000.00	2163.45	836.55	Non-approval of scheme for providing mobile services in Left Wing Extremist affected areas
Loan to HPIL	1.00	0.00	1.00	-----
Investment in HPIL	0.03	0.00	0.03	-----
ITI	0.01	0.000	0.01	-----
Total	6650.00	4794.33		

11. Regarding the reasons for the massive reduction in allocation from BE to RE under Capital Plan during the year 2013-14, the Department have submitted as under:-

(1) Under the head Capital Plan, allocation of Rs.2425 crore (BE-2013-14) for OFC based network for Defence Services was reduced to Rs.350.00 crore due to non-finalisation of NFS project by BSNL.

(2) Non-finalisation of project approval for construction of NICF building/infrastructure for training centre resulted in reduction in allocation from Rs 23.99.crore to Rs 3.00 crore at RE stage.

(3) Non-completion of validation for implementation of TEC projects.

(4) Delay in completion of procurement process of Vehicle Mounted/Portable V/UHF Terminals and SHF Microwave Terminals (WMO) also compelled the Department to reduce allocation at RE stage.

12. When the Committee enquired about the reasons for the increased allocation under Plan section during 2014-15, the Department, in a written note, have stated as under:-

"Cabinet has approved Rs. 460.00 crore for Revival of ITI BE 14-15 (Equity Investment). BSNL has finalised tender for laying 57,000 km of OFC and issued PO for Rs.8678.7 crore. Accordingly, provision of Rs. 3065.00 crore has been made in allocation under the OFC based network for Defence Services. Further, Rs.3537.00 crore have been proposed under USOF Scheme for Compensation to Service Providers which are the main reasons for enhancement in allocation under Plan outlay at BE during the 2014-15 of Rs.11037.00 crore against RE 2013-14 of Rs.6650 crore."

13. When enquired about the measures adopted by the Department to ensure meaningful utilization of fund allocated under Capital Plan, the Department, in a written note have stated that major Plan schemes have been included in the RFD of DOT and are being monitored periodically.

14. The Committee have also been informed that the Result Frame Document (RFD) is a document which provides a summary of the most important results that DoT expects to achieve during the financial year under reference. It moves the focus of the Department from process-orientation to result-orientation and provides an objective and fair basis to evaluate the Department's overall performance at the end of the year. The RFD helps in better utilization of funds as it is consistent with the targets for the Telecommunication Sector incorporated in the 12th Five Year Plan and the Budgetary allocations to the DoT. It also covers the provisions of the Strategic Plan of the Department.

(ii) <u>Annual Plan [Internal and Extra Budgetary Resources (IEBR) + Gross Budgetary Support (GBS)]</u>

15. The proposed Outlay, Budget Estimates, Revised Estimates and Actuals during the last three years both for Internal and Extra Budgetary Resources (IEBR) and Gross Budgetary support (GBS), are as follows :-

(Rs. In crore)

Proposed Outlay/ BE/RE/Actuals	**2012-13**	**2013-14**	**2014-15**
Proposed	17199.33	30979.52	32673.80
BE	15231.39	12239.93	13500.65
RE	8286.48	9310.85	--
Actuals	6163.89	6128.03 (Pro)	--
Percentage of utilisation w.e.t. RE	74.38	65.82	--

16. On the reasons for reduced allocation of fund at RE stage during 2013-14 and under-utilization of fund under IEBR and GBS, the Department have stated as under:-

> "Against the proposed Plan outlay of Rs.30979.52 crore, Rs.12239.93 crore and Rs.9310.85 crore was approved for BE 2013-14 and RE 2013-14, respectively. The IEBR of BSNL and MTNL was reduced from Rs.5593.00 crore to Rs.5196.00 crore and Rs.786.93 crore to Rs.404.85 crore, respectively at RE 2013-14 stage. The total expenditure under IEBR was Rs.3497.15 crore and Rs.2630.88 crore under GBS during the year 2013-14. Similarly the GBS was reduced from Rs.5800.00 crore to Rs.3650 crore. The main reasons for reduction in GBS are delay in finalisation of NFS project by BSNL. Non-finalisation of project approval for construction of NICF building/infrastructure for training centre and delay in completion of procurement process of Vehicle Mounted/Portable V/UHF Terminals and SHF Microwave Terminals (WMO)."

17. When the Committee enquired about the reasons for the huge gap between the proposed and BE allocation, the Department, in a written note, stated that the proposed outlay in respect of OFC based network for Defence Services was Rs.10000 crore, WMO Rs.86.06 crore, USOF schemes Rs.14786.74 crore, TRAI Rs.518.00 crore, C-DoT Rs.250 crore and NICF Rs.101.87 crore for the year 2014-15. However, Planning Commission has approved outlay to the tune of Rs.3065.00 crore, Rs.49.00 crore, Rs.3537.00 crore, Rs.40.00 crore, Rs.200.00 crore and Rs.83.05 crore, respectively.

(a) <u>Gross Budgetary Support (GBS)</u>

18. Details of outlays of the Gross Budgetary Support (GBS) component during each year of the Twelfth Plan is as under:-

(Rs. In crore)

Year	Proposed	BE	RE	Actuals	Percentage of utilization w.r.t. RE
2012-13	6767.94	4800	2393	2383.93	99.62
2013-14	24539.59	5800	3650	2630.88 (Pro)	72.08
2014-15	26749.15	7500	--	--	--

19. The Department have furnished the details of scheme-wise utilization of Funds under GBS for the year 2013-14 as under:

(Rs. in Crore)

Scheme/ Item	BE 2013-14	RE 2013-14	Actual Utilization	Reasons for variation
WMO	50.00	6.50	3.88	Non-completion of process for procurement of Vehicle Mounted/Portable V/UHF Terminals and SHF Microwave Terminals (WMO)
WPC	1.50	2.90	1.37	Due to under-utilisation of funds provided for Machinery and Equipment
TRAI	22.00	22.00	22.00	---
TDSAT	1.50	1.28	0.40	--
TEC	12.50	2.23	0	Non-completion of validation for implementation of project.
C-DOT	250.00	250.00	224.25	Delay in finalisation of tender process/

				execution of work.
TDIP	1.50	0.60	0.26	--
OFC based network (DS)	2425.00	350.00	211.51	Non-finalisation of NFS project by BSNL
NICF	35.99	13.45	3.76	Non-finalization of Project approved for construction of building/infrastructure for training centre.
USOF	3000.00	3000.00	2163.45	Non approval of scheme for providing mobile services in Left Wing Extremist affected areas.
HPIL	0.00	1.03	0	--
ITI	0.01	0.01	0	--
Total	**5800.00**	**3650.00**	**2630.88**	--

20. During the year 2014-15, in respect of GBS, an amount of Rs. 26749.15 crore was proposed whereas an amount of Rs.7500.00 crore was allocated by the Planning Commission. The items of expenditure proposed and finally allocated by the Planning Commission under GBS are given below:-

Scheme/Item	**Proposed**	**BE 2014-15**
ITI	837.00	461.00
WMO	86.06	49.00
WPC	2.43	2.40
TRAI	518.00	40.00
TDSAT	1.55	1.55
TEC	20.00	15.00
C-DOT	250.00	200.00
TDIP	1.50	1.00
OFC based network (DS)	10000.00	3065.00
NICF	101.87	83.05

USOF	14786.74	3537.00
HPIL	1.00	1.00
Microwave link between Champhai and Zokhawthar	2.00	2.00
Establishment of Sattellite Gateway Assistance to BSNL	5.00	5.00
North East Projects executed by the BSNL with Government Support	40.00	35.00
UMA&N	1.00	1.00
Soft Loan to TCIL	95.00	1.00
Total GBS	**26749.15**	**7500.00**

21. Regarding the possible fund crunch, the Department stated that since the allocation is not adequate to meet the approved schemes, particularly for implementation of USOF Schemes (NOFN), a reference has been made to the Ministry of Finance for providing additional funds. MOF has assured providing of funds in phases depending upon the availability of resources with the Government under relevant schemes.

22. When the Committee enquired about the status of achievements made in respect of each of the above schemes, the Department have *inter-alia* submitted as under:-

> "**National Optical Fibre Network (NOFN):** NOFN Project is envisaged as a Centre-State joint effort. State Governments are expected to contribute by way of not levying any RoW charges. This requires suitable tri-partite MoU to be signed by GOI, State Governments & BBNL. Tri-partite MoU has been signed with all States and Union Territories except Tamil Nadu and Lakshadweep. The project is likely to be completed in a phased manner by December 2016. The reasons for delay in the project are OFC laying is time intensive effort, Implementation capacity of 3 CPSUs: BSNL, PGCIL and Railtel, Availability of Material, Labour Constraint. However, the speed has picked up now and it is expected that 50,000 village panchayats will be connected by financial year end…..xxxx…..
>
> **WMO:**
>
> WMO has been allocated Rs 47.45 crore under the Capital Head and Rs. 1.55 Crore under Revenue Head for the schemes in the Annual Plan 2014-15. But this has been reduced in RE 2014-15 as Rs.7.70 Cr.+ Rs.1.31 Cr. for Procurement of Six nos. V/UHF Vehicle mounted mobile/ portable terminals for the six new Wireless Monitoring Stations(WMSs) at

Bhubaneswar, Dehradun, Lucknow, Patna, Raipur, and Vijayawada, Procurement of 6 nos. fixed HF monitoring facilities for six new WMSs, Augmentation/Up-gradation of Microwave Monitoring Terminals (MWT's), Proposal for the replacement of five nos. Radio Noise measurement equipment.

WPC:

The allocated funds under WPC (Plan) at BE stage is Rs. 2.40 Crore. The actual utilization up to 31-10-2014 during 2014-15 is Rs. 0.27 Crore. The allocated fund could not be utilized as the Arbitration Tribunal constituted for NRSMMS project had not pronounced its decision. The maintenance activities relating to the ASMS and NSMS parts of the NRSMMS project are being taken up and all the efforts will be undertaken to utilize the funds optimally allocated for the financial year 2014-15.

TEC: Non-completion of validation for implementation of project.....xxxx.....

NICF: Non-finalization of project approval for construction of (NICF) building/infrastructure for training centre.

ITI: ESCROW accounts have been opened and funds are being transferred. In absence of financial relief under Non-Plan M/s ITI is facing difficulty for project work implementation….xxx.

North East Projects executed by BSNL with Government Support: the proposal shall be submitted for the approval of the Competent Authority once the agreement is signed between BSNL & BTCL.

Andaman & Nicobar sub-marine cable: TCIL has been given the work of preparing the DPR.

TRAI: Funds were not allotted for want of financial approval of the project."

(b) <u>Utilization of funds under Internal and Extra Budgetary Resources (IEBR)</u>

23. The Department have furnished the following information on the BE, RE and Actual utilization under IEBR:-

Year	Proposed	BE	RE	Actuals	% of utilization w.r.t. RE
2012-13	10431.39	10431.39	5893.48	3779.91	64.14
2013-14	6439.93	6439.93	5660.85	3497.15	61.78
2014-15		6000.65	--	--	--

24. When the Committee enquired about the reasons for consistent under-utilisation of fund under IEBR, the Department, in a written note, stated that during the last two years, due to operational loss, cash crunch and several financial problems BSNL/ MTNL are forced to go slow in respect of their development projects.

25. During the year 2014-15, an amount of Rs. 6000.65 crore has been allocated at BE stage. When the Committee desired to know about achievement of IEBR targets, the Department informed through written note that in case of C-DoT the IEBR generated till Sept., 2014 amounts to Rs. 18.72 crore; it is expected that annual IEBR target will be met by year-end.

26. Regarding BSNL, out of the budgeted outlay of Rs. 5132.19 Crore under BE 2014-15, the authorization up to October, 2014 is Rs. 1480.58 Crore. It is pertinent to mention here that the outlay under RE 2014-15 is enhanced to Rs. 7142 Crore from the BE 2014-15 of Rs. 5132 Crore. This is done as some of the projects of the previous year are getting culminated in the current financial year i.e. 2014-15. This mainly includes expansion/addition in GSM mobile capacity of Phase V.1, Phase V.2 & Phase VII projects. The requirement of optical fiber transmission equipment is also increased to provide backhaul connectivity to enhanced mobile and data network equipment.

27. In respect of MTNL, in 2014-15, out of the proposed outlay (IEBR) of Rs 808.46 Cr, the major portion (around 70%) of funds were earmarked for network up-gradation / expansion projects. Under the current financial situation, MTNL is not in a position to arrange/ mobilize funds to meet its IEBR 2014-15 requirements. Accordingly, MTNL has revised its Budgetary requirements for 2014-15 at RE stage to Rs 452.00 Cr and the actual utilization till September, 2014 is Rs 69.32 crore only.

IV. Review of Performance of Public Sector Undertakings (PSUs)

(i) Bharat Sanchar Nigam Limited (BSNL)

28. As per the information furnished by the Department, the revenue earned and corresponding working expenses in respect of BSNL are as follows:-

(Rs. in crore)

Year	Total Income	Total Expenditure	Balance
2010-11	29,688	36,002	(-) 6314
2011-12	27,933	36,586,	(-) 8653
2012-13	27,128	34,900	(-) 7722
2013-14	27,996	34,930	(-) 6934

29. The Department have informed that the main reasons for increase in working expenditure of BSNL are huge legacy of work force whose salary & wages are more than 50% of the revenues; inheritance of legacy of wireline systems and declining attraction for the same and increase in Repairs & Maintenance Costs and fuel charges; the main

reason for decrease in revenue is fixed to mobile substitution and stiff competition in mobile sector.

30. To the query of the Committee regarding steps taken by BSNL to increase revenue, the Department have stated as under:-

> "Every year an MoU is signed by BSNL with its Parent Department DOT as per the guidelines of Department of Public Enterprises (DPE) where physical & financial targets are fixed by Task Force (an independent body nominated by Government of India through DPE) in consultation with DOT & BSNL. The revenue targets for the financial year 2014-15 were also firmed up by the Task Force Committee during the task force negotiation meeting held in February, 2014, where CMD, BSNL along with Functional Directors & Secretary, DOT and other officers of DOT & DPE were also present where it was felt that realistic actionable targets may be assigned. The revenue target for 2014-15 is around 7% above that achieved in 2013-14 which is higher than that achieved by BSNL in recent years.

31. The Department have taken the following steps to increase the revenue:-

- Augmentation of GSM mobile network by 15 million lines under GSM Phase VII expansion project for which the roll out is under progress. This enhanced capacity in the network will lead to better network availability and quality of service to the end user. This will also make available spare capacity to add more mobile connections. This will also boost the Average Revenue Per Unit (ARPU) from mobile services segment.

- BSNL has planned to make the entire wireline customer base network IP enabled. Next Generation Network based on the latest architecture are planned to be deployed gradually to replace the entire circuit switched equipment/Digital telephone Exchanges. This modernization / upgradation of wireline network will enable to provide several Value Added Services, including broadband services, Intelligent Network Services and broadband based value added services like Video/Games/Music on demand, etc. With this enhanced utility of wireline network, the revenue is expected to increase from this segment also.

- BSNL is providing bouquet of enterprise services like leased line, MPLS-VPN, Data Centres, etc., and efforts are being made to increase revenue from this segment also."

32. The Department have informed that BSNL is meeting its working expenses through internal accruals and by curbing expenditure for which internal resources are

not available. As per the Cabinet decision for financial support on surrender of BWA (Broadband Wireless Access) and Spectrum charges, BSNL is seeking reimbursement of licence fee and spectrum usage charges paid/payable for the financial year 2014-15 from the Government.

33. Elaborating on the problems being faced by BSNL, the representative of BSNL deposed as under:-

> "As far as technical shortcomings are concerned, I would like to just take you to a little bit of history. All other private operators started their mobile services in late 90s whereas the BSNL only could start in 2002 …xxx…when it was launched in 2002, the BSNL was one of the preferred operators. By the time our expansions were going on in full swing by 2005-06, we were No. 1 or No. 2 in many of the States. After that, the problem began. That was a problem of non-procurement of mobile equipment. That was a time telecom network was also expanding at a very fast pace. So, we were losing an opportunity to grow along with the market because there was no equipment procurement in those years. That was the reason of technical problems that we have at present in various areas. Having said that, now, in last year, we could also do our procurement properly. We call it a Phase 7 of mobile expansion has begun last year. We are investing something like Rs. 4,084 crore in mobile expansion. The progress is going on…xxx…
>
> Secondly, the legacy mindset, which the BSNL has, is one of the very big challenges in front of us. We are making our employees and officers understand this aspect. We are doing training courses for them and trying to putforth this thought in them unless we also act and behave like a private operator, customer is not going to come and take our service."

34. On being enquired about the quantifiable and verifiable achievement made by BSNL under Phase-VII, the Department submitted as under:-

> Under Phase VII GSM mobile network expansion project, GSM radio Capacity of 15 million lines and orders have been placed. 8.93 million lines Global System for Mobile (GSM) radio capacity has been rolled out so far in its network and remaining roll out is under process.
>
> Under this project, BSNL is expanding its mobile network across the country. This will help BSNL to augment its capacity, network coverage and increase number of BTSs (Base Transceiver Stations). With the increased capacity of network coverage, BSNL will be able to improve its Quality of Services (QoSs) which will result in retention of its existing customers and attracting new customers.

35. On the future plan of BSNL, the representative further added:-

> "…xxx… as far as the voice is concerned, we have lost opportunity; and now, we are sitting in the age of data. The BSNL and I also personally believe that probably now again, we are sitting in that area where the BSNL can once again be a force to reckon with because next is the age of data. The voice has already gone, it has grown. Tele-densities are touching to the extent of 146 per cent. But the data is the key. In that area, I would like to tell to the hon. Members that the BSNL is making a very big effort. If we look at our strength, the BSNL is having landline as well as mobile services but no other operators are having landline services. Now, with the convergence of technology, the data services are going to be one of the very big forte of the BSNL.
> …xxxx…..Currently, 4-G spectrum cost was so high that the BSNL could not get the 4-G spectrum. However we have rolled out our 3-G network in every nook and corner of the country; and I think, we are one of the biggest 3-G network suppliers in the country. That 3-G expansion is also taking place. 3-G speeds are almost touching, which we call it 3.75G, to the extent of about 40-50 MBPs download speed. Although at this point of time, we are not going into the 4-G area, but our 3-G developments are going in full swing. That is why we believe that we will be able to meet the requirement of data that will come."

36. On being asked as to how BSNL will compete in data services in the absence of 4G spectrum with other Telecom Service Providers with 4G spectrum, the Department, in a written note, have stated that BSNL is having pan India 3G spectrum of GSM services. BSNL can provide data services like video calling, Video on demand, gaming, etc. on GSM 3G on pan India basis on equally viable commercial terms. Moreover, BSNL has surrendered its BWA spectrum in 6 circles and has retained BWA Spectrum in other service areas for providing data services.

(ii) <u>Mahanagar Telephone Nigam Limited (MTNL)</u>

37. The details of revenue earned and working expenses of MTNL during the last three years are as under:-

(Rs. in crore)

Financial Year	Revenue Earned (In Crs)	Working Expenses	Balance
2011-12	3,624.41	5,288.83	-1664.42
2012-13	3,783.12	6,428.33	-2645.21
2013-14	3,872.15	4,377.29	-505.14

38. The Department have informed that the major portion of working expenses of MTNL goes towards staff cost. During 2011-12 & 2012-13, the total staff cost was more than 100 % of the total income. Over the period, due to sustained efforts, the operating expenses have been kept between 10-15%. Any further reduction in operating expenses

will have adverse effect on services. However, the decrease in working expenses during the F.Y. 2013-14 is mainly due to the Cabinet decision for taking over the liability of payment of pensionary benefits to erstwhile Government employees who were absorbed in MTNL and who opted for combined service pension.

39. On the debt position of MTNL as on 31st August, 2014, the Department have provided the following information:-

Sl. No	Type of Loan	Balance as on 31.08.2014 (in Rs. Cr.)
1	Long Term Loan	4,455.00
2	Bonds	2,980.00
3	Short Term Loans	1,950.00
4	Over Draft	4,776.51
5	Total	14,161.51

40. When the Committee enquired about the reasons for incurring an outstanding debt of Rs. 14,161.51 crore by MTNL, the Department have stated in a written note that the financial health of MTNL deteriorated in the last few years due to high staff cost, huge debt due to payment of spectrum charges in 2010 and fierce competition in the telecom sector. MTNL was having cash reserves of Rs.4064 crore as on 31.03.2010. However, due to payment of spectrum charges for 3G and BWA spectrum amounting to Rs.11097.97 crore, it had to take a commercial loan of Rs.7033.97 crore. Because of the deteriorating financial condition and high staff cost which has risen to 132% in 2012-13, MTNL was forced to raise debt even to service its interest repayment. In the present situation MTNL is facing monthly revenue deficit of Rs.220 crore which is being met again by raising loans from banks from time to time.

41. On the plans of the MTNL to repay the outstanding debt, the Department have informed that MTNL has sought the following assistance from the Government to repay / reduce its debt component:-

- Reduction in HR Cost through salary support on diminishing basis for a specified number of employees.
- Support on Minimum Alternate TAX (MAT) - Cabinet has approved in its meeting held on 5.11.2014, the proposal for support on Minimum Alternate Tax (MAT)- Rs 492 crore.
- Permission for Sale and long lease of Real-estate property of MTNL and waiver of penalty for delay in construction.

42. The Department have also informed that under the long term measures, MTNL intends to improve its top line which will help it in repayment of loans through targeting a Revenue Growth of 8-10% over the next 5-6 years. This will be achieved by up-gradation/expansion of its networks. For this purpose also MTNL has sought Government support for mobilization of funds required to meet Capex requirement of these upgradation/expansion of networks projects.

43. Elaborating on the financial position, the representative of MTNL stated in evidence as under:-

> ….xxx…..to overcome the debt issue….xxx…., we have surrendered the BWA spectrum to the Government; and in lieu of that, we are supposed to get Rs. 4,600 crore, and it is in the process of getting the approval from the Government. It will help us to reduce our loan and debt amount considerably.

44. On the future plan of MTNL, the representative further stated as under:-

> …xxx….we are not able to become the market leader in the mobile telephony because we are not able to make a significant investment over a period of last four years in the mobile network because of the financial crisis, which we have faced. Now, to overcome that, we have already floated a tender and the tender has been under evaluation and at the last stage of finalization for expanding our mobile number of sites by 1100 sites in Delhi and 1150 sites in Mumbai, both for 3-G network and 2-G network, to give a good quality network to the customers of Delhi and Mumbai.

45. To a query on the status of implementation of the project, the Department have informed that with regard to 3G Network Upgradation and expansion of GSM/3G RF network, the Technical and Financial evaluation of the bids for the project has been completed and based on negotiations with L-1 bidder, the finalized proposal is under consideration of MTNL Board. On expansion/Upgradation of M/W Backhaul, tendering process is underway.

46. On the measures taken for improving the human face of MTNL, the representative deposed as under:-

> To change the mindset, we have already planned in a big way, conducting the behavioural training of the staff of Delhi and Mumbai. There will be 8000 man-days training in the current year in Delhi and 10,000 man-days training in Mumbai. A focused attention has been given to the people who are working with the customer interface, particularly in Sanchar Haat, where our linemen and the phone mechanics are there. Dedicated efforts are being made to oversee and monitor that whenever a telephone

complaint of any nature is coming, it is attended in a timely manner and the provision of telephone is also done in a timely manner. To ensure whatever is being reported in the network by the officials after doing the work, on test basis certain calls are being originated at the officers' level to ensure and even the IVRS systems have been deployed in certain places on an experimental basis to judge what kind of customer satisfaction is coming. So, both for the network expansion and customer service, various efforts are being made to become competitive in the market telephone also and provide and continue the leadership both in the fixed line and the broadband segment.

(iii) <u>Revival of BSNL & MTNL</u>

47. The Department have informed that the Government is in the process of revival and revitalization of the Bharat Sanchar Nigam Limited (BSNL) and the Mahanagar Telephone Nigam Limited (MTNL) through various short-term, medium-term and long-term measures. The long-term measures, including merger of BSNL and MTNL, would attempt to position these PSUs to emerge as market leaders in the converged telecommunication market. For an in-depth study on the implications of merger of the two PSUs, three groups have been constituted to study issues of human resources integration, technology integration and corporate integration.

48. The relevant proposals for revival and revitalization of BSNL and MTNL have wide financial implications on the Government. Further, these proposals are to be taken to the Cabinet through the established procedure of Inter-Ministerial consultations. There are core issues concerning the two PSUs which need urgent attention of the Government which are as under:

- Surrender with refund of Broadband Wireless Access (BWA) spectrum held by MTNL and BSNL
- Waiver of notional loan with BSNL
- Annual financial support to BSNL and MTNL to reduce the staff costs
- Proposal for hiving off mobile tower assets of BSNL into a separate company
- Monetisation of the land assets possessed by BSNL and MTNL.
- Merger of BSNL and MTNL
- Support on payment of Minimum Alternate TAX (MAT) by MTNL
- Pension to Government employees who are absorbed in MTNL and opted for combined service pension at par with BSNL.

49. The issues which have already been settled with the approval of the Cabinet are:

- Surrender with refund of BWA spectrum in both service areas held by MTNL and in 6 service areas held by BSNL

- Waiver of notional loan with BSNL
- Financial support of Rs. 492 crore on payment of Minimum Alternate Tax (MAT) by MTNL
- Pension matter of MTNL.

50. The proposal for giving Annual financial support to BSNL and MTNL to reduce the staff costs i.e. giving annual financial support to BSNL and MTNL for the next 10 years for certain number of staff who are above 50 years of age is yet to be approved by the Cabinet.

51. The issues which are yet to be taken up with the Cabinet are:

- Proposal for hiving off mobile tower assets of BSNL into a separate company - This proposal is for restructuring of BSNL by hiving of tower infrastructure into a new 100% independent subsidiary with outsourcing of O&M sales and marketing functions.
- Monetisation of the land and building assets possessed by BSNL and MTNL - This proposal is to monetize the land/building assets of BSNL & MTNL to raise capital for investment needs.
- Merger of BSNL and MTNL – This proposal is for merger of BSNL & MTNL.

52. The Department have informed that based on the outcome of the decisions on the above pending issues, the final revival plan will be made after incorporating the plans of BSNL and MTNL which are being prepared by them.

53. Elaborating on the issue of merger between BSNL and MTNL, the Secretary, DoT during the course of evidence stated as under:-

> **"**We have already formed three committees – one is to look into the technological matters; they is to look after the corporate and legal side because MTNL is a listed company and there are private sector holdings also in MTNL. BSNL is a completely Government-owned company and there are no private sector holdings in it. So, there are many corporate and legal issues; there are many human resource issues because MTNL employees are much better paid than BSNL employees are paid. So, when they are merged into a company, then the issue of parity comes. The issue comes as to how you would keep on giving them separate pay. Then there are many posts which have been created over a period of time in MTNL which have no parallel in BSNL. There are many issues. So, we are actively considering them and after some time we will be coming to some conclusion on these issues.**"**

V. Overall position of telecom connectivity in the Country

(i) Public vs Private

54. As per Outcome Budget (2014-15), the share of private sector in terms of number of subscribers increased from 85.51% to 87.13% during the period from April, 2013 to March 2014. On the other hand, the share of public sector declined from 14.49 per cent to 12.87 per cent during this period.

55. The Department have given the following statement with regard to trend in number of telephone subscribers (Wireline and Wireless) of PSUs and Private Sectors in rural and urban areas over the last three years:-

(In millions)

As on last day of the F.Y.	No. of telephone subscribers (wireline + wireless)								
	Rural Area			Urban Area			Total (Rural area + Urban area)		
	PSUs	Pvt. Service providers	Total	PSUs	Pvt. Service providers	Total	PSUs	Pvt. Service providers	Total
31st March 2012	34.53	296.28	330.81	95.74	524.79	620.53	130.27	821.07	951.34
31st March 2013	41.49	307.72	349.22	88.62	460.18	548.80	130.11	767.91	898.02
31st March 2014	38.42	339.31	377.73	81.63	473.65	555.28	120.05	812.96	933.01

56. Asked about the reasons for the increase in the share of private sector and the decline in the share of public sector with regard to overall position of telecom connectivity in the country, the Department have informed that the following are the main reasons for the declining market share of BSNL and MTNL over the years:

- **Decline in wireline business:** BSNL and MTNL have been in the wireline business for several decades employing lot of human resources. Since assets are already committed, there is expenditure to maintain these assets.
- **Stiff Competition in Mobile Sector**: The mobile telephone market has become very competitive with all players introducing very aggressive tariff plans and bringing innovative packages which BSNL and MTNL are not able to match due to financial distress.
- **Skill set of Employees**: BSNL and MTNL are not only beset with large number of employees, but the skills of these employees are not suited for rendering services to Mobile customers and Broadband customers which are very different than that required for wire line services. BSNL and MTNL are making efforts to retrain and reorient the skills of these employees,

but it is taking time before all of them could be profitably utilized for the company.

- **Legacy Systems**: BSNL and MTNL's systems and processes were designed years back to serve the wireline customers and time taken to develop contemporary systems and processes to suit current market requirements, has been a reason for decline in market share. Further, BSNL and MTNL are required to follow the prescribed procedures, rules and regulations issued by various government entities for PSUs, which take time than the procedures followed by its competitors and in mobile business, which faces the severest competition, even a slight edge of competitors has effect on BSNL and MTNL's market share.
- **Sales and Marketing:** In the highly competitive market scenario, marketing and sales, delivery of service, distribution channels, single point accountability, customer service management etc. are the important factors to increase market share. BSNL and MTNL are trying to improve its sales and marketing but still gap exists."

57. When the Committee desired to know about the steps taken to withstand competition in the market, the Department stated *inter-alia* that BSNL has taken various steps/ initiatives to improve its performance and infrastructure by initiating new projects, organizational restructuring schemes for reduction of cost and new initiatives to create new revenue opportunities thereby increasing revenue/profitability. With regard to MTNL, to turn around the company, MTNL engaged M/s Deloitte as consultant for the preparation of its Revival Plan. In its recommendations, the consultant has suggested several measures for increasing revenue by 10% per annum along with other measures which are also critical for the revival of the company. Based on the consultant's recommendations, MTNL is preparing a revised plan for revival.

(ii) <u>Wireline vs Wireless:</u>

58. The Department have informed that as far as the technology is concerned, the preference for use of wireless telephony continues. The share of wireless telephones increased from 96.64 per cent at the beginning of the financial year to 96.95 per cent by the end of March 2014. On the other hand, the share of wireline telephones declined marginally from 3.36 per cent to 3.05 per cent during the same period.

59. The comparative details with regard to the number of wireline and wireless telephone subscribers and teledensity in India *vis-à-vis* some other countries is given as under:-

S.No.	Country	Mobile-cellular segment		Fixed-telephone segment	
		No. of subscribers	No. of subscribers per 100 inhabitants	No. of subscribers	No. of subscribers per 100 inhabitants

		2013	2013	2013	2013
1	India	886,297,917	71.69	28,894,248	2.34
2	China	1,229,113,000	88.71	266,985,000	19.27
3	France	63,324,000	98.50	39,079,000	60.78
4	Italy	96,903,507	158.88	20,926,498	34.31
5	Japan	146,454,898	115.19	64,061,692	50.39
6	Russia	218,300,372	152.84	40,661,359	28.47
7	Spain	50,167,372	106.91	19,105,275	40.71
8	Switzerland	10,808,000	133.80	4,676,900	57.90
9	United Kingdom	78,143,682	123.77	33,383,853	52.88
10	United States	305,743,000	95.53	135,141,000	42.22
Source					
1. For information under S.No. 1 (India) I					
2. For information under S.N. 2 to 10: ITU World Telecommunication/ ICT Indicators database.					
URL: http://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx.					

60. When the Committee enquired about the reasons for the existence of a substantial subscriber base for wireline telephony in developed countries, the Department, in a written note, have stated that in the developed countries, the penetration of wireline services had almost saturated before entry of wireless services. However, the situation in India was not so. In India, the penetration of wireline services was very less when wireless services entered the field. Due to low cost, fast roll out, easy maintenance and movability, etc. of wireless services in comparison to wireline services, same wireline base is being maintained by all the countries after coming into existence of wireless services.

61. As regards the comparative advantage and disadvantages of Wireline and Wireless Telephony with reference to capital investment, cost to subscribers, quality of service, health issues, internet and broadband connectivity, etc., the Department have provided the following statement:-

For the year 2012-13	**Access Wireless (including WLL)**	**Access Wireline**

Capital investment (Gross Block) (Rs. in Cr.)	3,35,019	1,28,196
Average cost per user per month (in Rs.)	110	674

Note: As per Accounting Separation Reports for the year 2012-13 submitted by telecom service providers."

62. To a query regarding measures being envisaged for the promotion of wireline telephony in the country, the Department, in a written note, have stated that TRAI had recommended that the subsidy support from the USO fund for its rural wireline connection to BSNL installed prior to 1st April, 2002, could continue for a period of further two years from July, 2011, at the rate of Rs.1500 crore for the first year and Rs.1250 crore for the second year.

(iii) <u>Tele-density</u>

63. The Committee have been informed that Tele-density, which shows the number of telephones per 100 population, is an important indicator of telecom penetration in the country. Tele-density, which was 73.32 per cent at the beginning of the financial year 2013-14, increased to 73.60 per cent by the end of August 2013 and then declined marginally to 73.01 per cent in September, 2013 due to deletion of inactive phones by the service providers. However, the tele-density increased to 75.23 per cent by the end of March, 2014. There has been improvement in the rural tele-density during 2013-14 and it increased from 41.05 per cent at the beginning of the financial year to 44.01 per cent at the end of March, 2014. However, the urban tele-density decreased marginally from 146.64 per cent to 145.46 per cent during this period.

64. The Department have informed that the main hurdles/difficulties faced by the Department in increasing tele-density in rural areas are primarily inaccessibility and remoteness of certain areas. The higher Capex & Opex (Capital Expenditure & Operational Expenditure) required for meeting service obligations are not matched by revenue flows and require viability gap funding to make services viable. The creation of network infrastructure requires electricity which cannot be provided easily in these areas. The cost of devices also has a bearing on the access to services in rural areas.

65. On being asked about the efforts to increase telecom connectivity in the rural areas, the Department have informed that to overcome these difficulties and to increase telecom penetration in rural areas various USOF are providing viability gap funding to increase rural tele-density, creation of General OFC Infrastructure through National Optical Fibre Network (NOFN) by linking 2,50,000 Panchayats through Optical Fibre Network to provide easy access, development of Broadband kiosks, on the lines of STD PCOs, in the rural areas to provide easy access to Broadband services.

66. On the plans to increase rural tele-density, the Secretary, DoT, in evidence, submitted that recently the Cabinet had approved a project worth about Rs. 5,000 crore for providing connectivity to the North-East areas. He further informed that there are other projects which are in pipeline and will be taken up in the next five years providing telecom connectivity, namely, Himalayan States (Jammu and Kashmir, Himachal Pradesh and Uttarakhand), border States (Rajasthan, Gujarat, etc.), Island States and UTs (Andaman and Nicobar Island and Lakshadweep, etc.) and the rest of the areas (Uttar Pradesh, Bihar, LWE affected areas).

67. On the efforts made by the Department to ensure that the aforesaid projects are successfully implemented in the next five years, the Department, in a written note, have stated as under:-

> "BSNL has been nominated to execute the work related to the provision of mobile services in two districts of Assam and in the State of Arunachal Pradesh. BSNL has also been nominated to execute the work related to Transmission Media Plan in NER….xxx….
>
> An exercise was undertaken to identify uncovered villages as per Census 2011 which do not have mobile connectivity in the country. Tower location data and village coverage data was obtained from all service providers and gaps in connectivity have been identified with the assistance of M/s TCIL. Mobile coverage to uncovered villages will be provided in a phased manner. Himalayan States (Jammu & Kashmir, Himachal Pradesh and Uttarakhand) and border States (Rajasthan, Gujarat, Punjab and Haryana) will be taken up in the first phase. M/s TCIL will be engaged as a technical consultant for preparation of Detailed Project Report (DPR). Detailed Project Reports for other phases will be prepared subsequently for taking Cabinet approval."

68. The Implementation plan for the projects are as under:

S.No.	**Project/Scheme to cover**	**Timeframe for Cabinet Approval**	**Timeframe for Implementation**
1	Uncovered villages in North East	Approved in September, 2014	December, 2016.
2	Uncovered villages in Himalayan States	Mid 2015	Mid 2017
3	Uncovered villages in Border States and Islands	Mid 2015	Mid 2017
4	Uncovered villages in LWE affected States	Mid 2016	Mid 2018

5	Uncovered villages in remaining States and southern States	Mid 2017	Mid 2019

69. The Committee have been informed that under the Twelfth Plan, there is a target for providing 1200 million connections by 2017. There is also a provision for mobile access to all villages and increase rural tele-density to 70 percent by 2017.

VI. Position of internet and broadband connectivity in the country

70. As per the Outcome Budget (2014-15), as on 30th September 2013, there were about 22.19 million internet subscribers, including 15.35 million Broadband subscribers (this figure does not include customers who access internet through wireless phone). Apart from the above, as on 30th September 2013, there were about 188.20 million internet subscribers who accessed internet through wireless phones.

71. When asked about the share of the Private and Public Sectors in providing internet and broadband services in the country, the Department, in a written note, have stated that as per TRAI Performance Indicator Report for the Quarter ending March 2014, the combined share of BSNL & MTNL is 16.81% in Internet services and 30.46% in broadband services. Urban and Rural data is not separately available.

72. On being asked about the reasons for not maintaining separate data for rural and urban areas, the Department, in a written note, have stated that with the proliferation of wireless 3G mobile services there is no mechanism to segregate urban and rural subscriber because same Node/Tower can cater to urban and rural subscriber and subscriber location using 3G mobile services is not always fixed. However, TRAI is being requested to work out a mechanism by which subscriber data segregated between rural and urban areas could be maintained.

73. The Business Standard dated 23rd September, 2014 had reported that as per data released by the International Telecommunications Union (ITU), India's mobile broadband penetration in 2013 (based on per 100 inhabitants) was a mere 3.2 per cent. This was much lower than the global average of 26.7 per cent and placed India at the 113th spot among 138 countries. India's mobile broadband reach was smaller than neighbours Nepal (13 per cent), Bhutan (15.6 per cent) and Sri Lanka (7.8 per cent). Some African countries like Ghana (39.9 per cent) and Nigeria (10.1 per cent), too, were much ahead. By comparison, China, which also has a large population like India, was ranked 78th with a mobile broadband penetration of 21.4 per cent. Singapore, with 135 per cent penetration, topped the list. In fixed broadband penetration, India's performance in 2013 was even worse. With a reach of a poor 1.2 per cent, it was ranked 125th among 190 countries. The global average was 9.4 per cent. Again, China was much ahead, with a penetration of 13.6 per cent.

74. Asked about their comment on the aforesaid news item, the Department, in a written note, have stated that as per latest TRAI data, broadband penetration as on

August, 2014 is 74.31 million , which is approximately 6.2 per 100 inhabitants. The number of broadband connections has been growing rapidly, increasing from 55.20 million in December, 2013 to 74.31 million in August, 2014.

75. As per the Outcome Budget (2014-15) during the Twelfth Plan there is a target of providing 175 million broadband connections by 2017.

76. On the target of achieving 175 million broadband connections by 2017, the Department have informed that the present addition of broadband connections is about 3 to 4 million broadband subscribers per month. At the present growth rate and with the roll out of 3G/BWA services and commissioning of NOFN, the target of 175 million broadband connections by 2017 will be achievable.

77. On the specific steps being taken for increasing internet and broadband connections in the country, the Department have *inter-alia* stated that the Government have approved the scheme for creation of the National Optical Fibre Network (NOFN) on 25th October 2011, for providing Broadband connectivity to 2.5 lakh (approximately) village Panchayats. The Government have allotted spectrum for 3G and BWA services in 2010 and roll-out obligations require the services to be provided according to the terms of the obligations by 2015. Roll-out of 3G/BWA services will increase availability of broadband services.

78. The Department have informed that so far no study has been conducted to ascertain the demand for internet and broadband services in rural areas.

79. On being enquired about the reasons for not conducting any study particularly when the Government have an ambitious plan for increasing internet and broadband services in the country especially in rural areas, the Department, in a written note, have *inter-alia* stated that the demand for internet and broadband services depends on information, applications, services, content availability, etc. on internet which should also be available in the local languages.

(i) <u>Status of implementation of schemes for providing broadband connectivity under Universal Service Obligation Fund</u>

80. The Department have furnished the following statement on the status of implementation of schemes for providing broadband connectivity under the Universal Service Obligation fund:

Sl. No.	**Names of the Schemes**	**Objectives**	**Status**
1	Optical fibre Network Augmentation, Creation and Management of Intra-District SDHQ-DHQ OFC Network in service area of NE-I and NE-II	188 locations (NE-I) 407 locations(NE-II)	The roll-out is yet to start.

2	Wireless Rural broadband connectivity to rural and remote areas	5.5 lakh villages	Scheme on hold due to conflict with rural roll out objection of 3G/BWA bidders.
3	Satellite rural Broadband connectivity in rural and remote areas	5000 identified village	Scheme yet to be launched.
4	National Optical Fibre Network (NOFN)	To provide optical fibre connections to 2.5 lakh Gram Panchayats	Union Cabinet approved on 25.10.2011; likely to be completed by March, 2017

81. As per Media Report (Business Standard dated 23rd September, 2014) the huge delay in completing the Government's ambitious national fibre network project to connect about 2,50,000 gram panchayats with high speed internet is one of the key reasons for the low internet penetration in India. To a query regarding the plan of the Department to achieve the Twelfth Plan target of providing 175 million broadband connections by 2017, the Department, in a post-evidence note, have stated that the Government have approved the scheme for creation of the National Optical Fibre Network (NOFN) on 25th October 2011, for providing Broadband connectivity to 2.5 lakh (approximately) village Panchayats. The present addition of broadband connections is about 3 to 4 million broadband subscribers per month. At the present growth rate and with the roll-out of 3G/BWA services and commissioning of NOFN the target of 175 million broadband connections by 2017 will be achievable.

VII. DoT Projects

(i) OFC based network for Defence Services (DS)

82. The project of OFC based network for defence services (DS) is meant for building an exclusive dedicated alternate communication network for Defence Services in order for them to vacate the occupied frequency spectrum to be used for the next generation of mobile telephone and consequently the higher national growth of subscriber base. The spectrum available for mobile telephony has become inadequate due to the increasing demand of mobile services in the country. The work for Air Force network was started in 2006 and has been dedicated to the nation by 14.09.2010. The Army and Navy component of the network comprising of 219 and 33 sites respectively throughout the country was to be completed by December, 2012. The cost of the project was Rs. 8098 crore with the time line of 36 months (i.e. upto December, 2012) for implementation of the project. The latest status is given at Annexure-I.

83. The Department have further informed that the CCI, in its meeting held on 3rd July 2012, had given the financial approval of Rs. 5236 crore over and above Rs 8098 crore, already approved by CCI on 03.12.2009, for laying of alternate communication network for Defence Services in a period of 36 months.

(ii) Utilization of funds for OFC (DS) during the last three years

84. The Department have furnished the following statement on utilization of funds for OFC(DS) during the last three years:-

(Rs. in crore)

Proposed/BE/RE/Actuals /% of utilization w.r.t. RE	2012-13	2013-14	2014-15
Proposed	5000	6350	10000
BE	1356	2425	3065
RE	1518	350	
Actuals	1517.18	211.51 (Pro)	
% of Utilisation w.r.t. to RE	99.95	60.43	

85. When asked about the reasons for the massive reduction of fund at RE during 2013-14, the Department have informed that the tenders under the Network for Spectrum (NFS) project could not be finalised by BSNL in 2013-14 for which fund was demanded in anticipation of finalization of tenders. The allotted amount of Rs.350 crore at RE stage during 2013-14 was for link charges of AFNET Project.

86. On being asked about the status of actual utilisation under the project, the Department have submitted as under:-

> "An amount of Rs.352.95 crore was claimed by BSNL as annual AFNET link charges. Penalty clause of Service Level Agreement (SLA) with Indian Air Force for AFNET was not finalized between BSNL and IAF, hence IAF has recommended that only 60% of payment be released. The amount released by DoT was Rs.211.51 crore."

87. When the Committee desired to know the reasons for proposing Rs. 10,000 crore, the Department, in a written note, have stated that since the total estimated cost for NFS Project is Rs.13,334 crore, proposal for Rs.10,000 crore was made in anticipation of finalisation of tenders and maximum work expected to be done in 2014-15. The main tender for laying 57,000 km of OFC has been finalised by BSNL for Rs. 8678.74 crore. The PO for all seven packages has been placed. The payment in FY 2014-15 has been estimated as Rs.3065 crore.

88. When the Committee enquired about the exact status of physical and financial achievement made so far and the steps taken by the Department for the effective implementation of the scheme during 2014-15, the Department, in a written note, informed that for the effective implementation of the scheme, the Department of Telecommunications review the performance regularly on quarterly basis at the level of the Secretary along with the Defence Services.

89. According to the Department, tender has been finalized for an amount of Rs. 8670.74 crore; however, the amount allocated at BE under the Scheme is only Rs.

3065 crore, which is Rs. 5605.74 crore less than the tendered cost. When the Committee enquired as to how the Department propose to address the possible fund crunch in execution of the project, the Department, in a written note, have stated that the discovered cost for laying of optical fibre is Rs. 8670 crore. Purchase orders have been placed in August/September, 2014. The actual payments for this part are expected to be around Rs. 3000 crore in 2014-15. No funds crunch is anticipated in Financial Year 2014-15, provided the proposed amount is not curtailed substantially. Adequate budget provision shall be ensured in consultation with the Ministry of Finance for Financial Year 2015-16.

VIII. Analysis of Schemes implemented under USOF

(i) Utilization of funds under USOF

90. Telecom development in rural areas assumes special significance as more than 70% of India's population lives in villages. There is a strong two-way co-relation between telecom development and overall economic development of a region. Telecom services are important drivers for development, delivery of public services such as education, healthcare, etc. and integration of rural areas with the rest of the country. Recognizing this, the Government had announced the Universal Service Support Policy on 27th March 2002 under which a separate fund for providing access to telegraph services to people in the rural and remote areas was set up. The resources for implementation of USO are raised through a Universal Service Levy (USL) which has presently been fixed at 5% of the Adjusted Gross Revenue (AGR) of all telecom service providers except the pure value added service providers like, Voice Mail, email service providers, etc. The activities being undertaken by the Department of Telecom under USO are geared towards augmenting the infrastructure and increasing telecom coverage in the rural and remote areas. To broaden the scope of USOF and to include mobile services, broadband, general infrastructure and pilot projects for induction of new technological developments in its ambit, the Indian Telegraph Rules were amended on 17-11-2006 to enable support for providing various telecom services in the rural and remote areas of the country. With the amendment to the Indian Telegraph Rules & Act in 2006, USOF has been enabled to launch a number of new schemes for rural telecommunications.

91. The following statement shows the revenue collected for USO Fund/Proposed/BE/RE and actual utilization under USOF during the last three years:-

(Rs. in crore)

Heads	**Annual Plan 2012-13**	**Annual Plan 2013-14**	**Annual Plan 2014-15**
UAL collections (Booked figures as per DOT A/cs)	6735.46	7896.39	1869.68 (30.09.2014)
Proposed	3000	15804	14786.74
BE	3000	3000	3537

RE	625	3000	1138.06 (30.09.2014)
Actuals	625	2163.44	
% of Utilisation w.r.t. to RE	100	72.12	

92. The exact status of utilization of funds under USOF is as under:-

Sl. No	**Name of Schemes**		**Rs. in Crore**
1	Support for Rural Wireline Household DELs installed prior to 01.04.2002 to BSNL as per DoTs orders subsequent to recommendation by TRAI.		1500.00
2	National Optical Fibre Network (NOFN) - scheme to connect 2,50,000 Gram Panchayats through Optical Fibre Cable.		514.00
3	Shared Mobile Infrastructure Scheme for the provision of Mobile Services (Phase – I).		64.40
4	Rural Wireline Broadband Scheme – Provision of Wireline Broadband connectivity in the rural and remote areas.		60.48
5	VPTs in the newly identified uncovered villages as per Census 2001		22.04
6	Multi Access Radio Relay-Replacement of MARR VPTs (Total)	MARR-A	3.72
		MARR-B	0.96
7	Provision of Solar Mobile Charging Facilities		1.95
8	New VPT – 1 (VPTs in Uncovered villages as per census 1991)		1.19
9	Operation & Maintenance of VPTs		0.48
10	Sanchar Shakti		0.41
11	RDELs installed between 01.04.05 and 31.03.07		0.28
12	RDELs installed between 01.04.02 and 31.03.05		0.03
13	Provision of Rural Community Phones (RCPs)		0.01
14	RDEL-X (Recovery for subsidy paid for RDEL Scheme extension - installed after 01.04.2007.		-6.51
	Total		**2163.44**

93. Regarding the reasons for the massive gap between the amounts proposed and the allocation made at BE, the Department, in a written note, have submitted that given the complexity of the project and practical difficulties faced in the tendering process in some parts of the country, phase-wise approach of implementation was envisaged. Revised projection for NOFN scheme for the F.Y. 2014-15, given the physical target of 1,00,000 Gram Panchayats was Rs 7306.81 Crore. Non-provision of adequate funds as per projection may hamper achievement of physical targets under the NOFN Scheme.

94. The targets set for various schemes under the USOF during the year 2014-15 are given at Annexure-II.

95. Out of the 20 schemes/items under the USOF, allocation under 07 schemes/items were for making spill over payments. The scheme wise spill over amount under the USOF is as under**:-**

Sl. No.	Name of the Schemes	Total amount required for settlement of spill over (Rs. in Crore)
1.	Replacement of MARR based VPTs	0.8
2.	Shared infrastructure Mobile Services Schemes	21.15
3.	VPTs in uncovered village as per Census 1991	0.09
4.	VPT in newly identified village of Census 2001	17.43
5	Provision of Rural Community Phones (RCPs)	0.15
6	Provision of individual Rural Direct Exchange Lines (RDELs)	1.47
7	Solar Mobile Charging facilities	0.57
	Total	41.66

96. On the reasons for the delay in settlement of spill over on the aforesaid schemes, the Department have stated that the delay was due to delayed submission of claims by USPs or the claims submitted being incomplete and non-receipt of statutory Auditors Report from the USPs. Though RDELs-Extension Scheme was closed on 31st March, 2010, but certain amount of subsidy disbursed is under dispute and is pending for adjudication with the arbitration tribunals.

97. With regard to the timeline for settlement of the spill-over payments, the Department have stated that it shall be the endeavour of the Department to settle the spill-over amount with respect to all the closed schemes in the current Financial Year.

98. With regard to the latest status of approval of various schemes under the USOF, the Department have informed that all the schemes of the USOF have already been approved and there is no delay in approval.

(ii) National Optical Fibre Network (NOFN)

99. The Department have stated in the Budget Brief (2014-15) that the optical fibre has predominantly reached State capitals, districts and blocks, at present. NOFN is planned to connect all the 2,50,000 Gram Panchayats in the country through optical fibre utilizing existing fibers of PSUs, *viz*. BSNL, RailTel and Power Grid (and of any desirous private operator) and laying incremental fiber wherever necessary. Size of the incremental network is approx. 5 Lakh Km. Dark fiber network thus created will be lit by appropriate technology thus creating sufficient bandwidth (100 Mbps) at GPs level. Non-discriminatory access to the network will be provided to all the telecom service

providers. These access providers like mobile operators, Internet Service Providers (ISPs), Cable TV operators, content providers can launch various services in rural areas. Various applications for e-health, e-education, e-governance, etc. will be provided. The project has been approved by the Union Cabinet on 25.10.2011. The project is being funded by the USOF and the initial estimated cost of the project is Rs.20, 100 Crore. The project is being executed by a Special Purpose Vehicle (SPV) namely Bharat Broadband Network Limited (BBNL), which has been incorporated on 25.02.2012 under the Indian Companies Act 1956. BBNL is getting the project executed through 3 CPSUs, *viz*. BSNL, Railtel and PowerGrid.

100. During the year 2014-15, an amount of Rs. 1477.20 crore was allocated for the scheme against the target of providing connectivity to 1,00,000 village panchayats on fibre with respective blocks in Phase-I. On the adequacy of funds for meeting the targets, the Secretary, Department of Telecommunications, stated in evidence as under:-

> …xxx….At the moment, whatever has been provided, they have promised that whatever we require, they will provide it to use in our RE. So, we spend the money, we will get more funds in RE. So, we are sure that whatever our requirements are, we will get it…..xxx…

101. The network proposed under the scheme, is likely to be completed by March 2017 as per the following target:-

Year	2014-15	2015-16	2016-17
Physical Target	50,000 GPs	100000 GPs	1,00,000 GPs

102. When the Committee enquired about the achievement made so far, the Department have stated as under:-

> "The survey work, which is required before start of work, has been completed for more than 80% of Gram Panchayats. The tenders for procurement of Optical Fibre Cable (OFC) and GPON equipment have been finalized and purchase orders have been issued. Some of the tenders for procurement of PLB duct and trenching & laying work have been finalized and others are under finalization. Work has already started in 415 Blocks (out of approx. 6,600 Blocks) covering 10876 Gram Panchayats.
>
> Following initiatives have been taken by the executing agencies to speed up the project:

- To overcome the problems in procurement of PLB duct, BSNL has floated a centralized tender. In addition, BSNL is ramping up the production in its Telecom Factories.

- State level committees have been constituted for speedy resolution of any field level issue."

103. Elaborating on the issue, Secretary, DoT, in evidence, deposed:-

Once it comes it will bridge the gap of broadband connectivity and availability to the villages. Rather if it is maintained well, and the power supply is good, by and large broadband connectivity would be much more in the rural areas than in the city areas, at least at the consumer end.

104. The Department have also informed that the NOFN Project is envisaged as a Centre-State joint effort. State Governments are expected to contribute by way of not levying any RoW charges. This requires suitable tri-partite MoU to be signed by GOI, State Governments & BBNL. Tri-partite MoU has been signed with all States and Union Territories except Tamil Nadu and Lakshadweep. The project is likely to be completed in a phased manner by December 2016.

(iii) <u>Providing Mobile Connectivity in Left Wing Extremism Affected Areas</u>

105. The Department have informed that the Union Cabinet, in their meeting held on 4th June, 2013, approved a proposal to install mobile towers at 2199 locations identified by the Ministry of Home Affairs (MHA) in 9 States (Andhra Pradesh, Bihar, Chhattisgarh, Jharkhand, Maharashtra, Madhya Pradesh, Odisha, Uttar Pradesh and West Bengal), which are affected by Left Wing Extremism (LWE). Work has been awarded to the Bharat Sanchar Nigam Limited (BSNL). The USOF would fund the CAPEX and OPEX net of revenue for five years. Estimated project cost is Rs. 3046.12 crore. Installation and roll out in these areas are targeted to be completed in 12 months. Affordable mobile communication services will be available to the general public as well as security personnel in the identified areas.

106. The State-wise details of towers identified by MHA are as follow:-

S. No.	State	No. of Locations	Already Installed by BSNL
1.	Andhra Pradesh/Telangana	227	3
2.	Bihar	184	0
3.	Chhattisgarh	497	351
4.	Jharkhand	782	0
5.	Maharashtra	60	3
6.	Madhya Pradesh	22	6

7.	Odisha	253	0
8.	Uttar Pradesh	78	0
9.	West Bengal	96	0
Total		**2,199**	**363**

107. On being enquired about the achievements made during the year 2013-14, the Department have stated as under:-

> BSNL had floated the tender on 14.08.2013. The tender was opened on 25.10.2013. BSNL submitted tender evaluation report dated 20.01.2014. The CAPEX and OPEX for 1836 towers discovered by BSNL through tender process were 21.72% higher than the estimated cost. In its meeting held on 27.03.2014, Telecom Commission considered the matter and decided that the project for 1836 tower sites in Left Wing Extremism (LWE) affected areas may be retendered.
>
> Since the rate discovered by BSNL through the tender process was considerably higher than the estimated cost resulting in the Telecom Commission's recommendation for retender, no physical targets could be achieved.

108. Furnishing the updates about the re-tendering process by BSNL, the Department, in a written note, stated as under:-

> "…..xxxx….. BSNL issued notice for retender on 07-04-2014. Tender was opened on 09.05.2014. Two bidders, *viz*., M/s VNL and M/s HFCL participated in the bid. The Project Cost discovered by BSNL through the tender process was placed before the Telecom Commission in its meeting held on 13.06.2014. The Telecom Commission decided that the proposal may be placed before the Union Cabinet with its recommendation
>
> On 04.06.2013, Cabinet approved an estimated project cost of Rs. 3046.12 crore. Subsequently, on 20.08.2014, the Cabinet approved project implementation cost of Rs. 3567.58 crore against a revised estimated cost of Rs. 3216.12 crore. The estimated project cost was revised due to additionally incorporated items and increase in Satellite Bandwidth charges."

109. On the status of 363 towers which have been set up, the Department, in a post-evidence note submitted that in Chhattisgarh, 1 tower has been burnt by naxals, 06 towers are to be relocated. 18 towers are faulty and can be restored only with new VSAT media as the existing media has been damaged. BSNL is in the process of arranging the necessary equipment to make them operational. Other existing towers are operational.

110. On the status of approval by the Union Cabinet, the Note for the Cabinet was submitted to the Cabinet Secretariat after completion of inter-ministerial consultations.

On 20.08.2014, the Cabinet approved the revised estimated cost of Rs. 3216.12 crore and project implementation cost of Rs. 3567.58 crore consisting of CAPEX and OPEX for 5 years for 1836 sites, discovered by BSNL through tender process; and OPEX for existing 363 sites.

111. Regarding the timeline for implementation of the Scheme, the Department have stated that one month is required for of Agreement between USOF and BSNL from the Date of Cabinet approval, 12 months for installation and roll out of network from the Date of signing of Agreement between USOF and BSNL and 5 years maintenance after installation and commissioning.

112. On the steps taken to ensure the installation of 1836 towers as per the scheduled timeline, the Department have stated that on 20.8.2014, the Cabinet approved revised estimated cost and project implementation cost. Draft Agreement between BSNL and USOF was signed on 30.9.2014. BSNL has issued Advance Purchase Order to L-1 bidder on 5.9.2014 and to L-2 bidder on 9.10.2014. As per the tender requirement of BSNL, vendors shall execute the work in 12 months. Tower locations for 488 sites to be completed in 1st Phase, i.e. March 2015 have been finalized in consultation with the State Governments. Rs. 586.78 crore was earmarked for LWE scheme for F/Y 2014-15 against the BE allotment of Rs. 3537 crore in view of the cost of the scheme (Rs. 3046.12 crore). However, keeping in view of implementation cost of Rs.3567.58 crore (Revised), Rs. 825 crore has been projected at RE stage.

IX. Centre for Development of Telematics (C-DoT)

113. The Centre for Development of Telematics (C-DOT) is the Telecom Research and Development Centre of the Government of India. It is an autonomous scientific society which develops total telecom solution technologies and applications for the fixed line, mobile and packet based converged network and services. C-DOT's current focus is on design and development of Communication & Security, Research and Monitoring related to security management for law-enforcement agencies, the development and deployment of next generation networks and cost effective rural wireless solutions.

114. The utilization of funds by C-DoT under IEBR and GBS made during the last two years is as under:-

Annual Plan 2012-13					Annual Plan 2013-14					Annual Plan 2014-15	
Proposed	**BE**	**RE**	**Actual**	**% of utilisation**	**Proposed**	**BE**	**RE**	**Actual**	**% of utilisation**	**Proposed**	**BE**
40	40	40	36.57	91.43	60	60	60	41.58 (Pro)	69.27	60	60
465.86	250	150	150	100	250	250	250	224.25	89.70	250	200

115. The Committee have been informed that the reduction in the GBS allocation for the Financial Year 2014-15 would definitely affect the implementation of our

Centralized Monitoring System (CMS) roll-out activity. C-DOT will request for suitable enhancement of its GBS allocation of Rs. 200.00 crore at RE stage so that the above mentioned roll-out activity could be accomplished.

(i) Centralized Monitoring System

116. The Department have informed that the Government have decided to set up Centralized Monitoring System (CMS) for lawful interception and monitoring which will enable the electronic provisioning of the targets as required by the Law Enforcement Agencies (LEAs), thereby reducing manual intervention at many stages as well saving of time. The system is to be installed by C-DoT. After commissioning of CMS, TERM Cells will be responsible for operation of CMS.

117. The envisaged salient features of the Centralized Monitoring System (CMS) are as follows:

(i) Electronic Provisioning of target number by a Government agency without any manual intervention from Telecom Service Providers (TSPs) on a secured network, thus enhancing the secrecy level and quick provisioning of target.

(ii) Central and Regional Centres which will help Central and State level Law Enforcement Agencies in Interception and Monitoring.

118. Regarding the allocation and timeline for installation of CMS, the Department have stated that an amount of Rs. 400 crore has been provisioned in the 12th Five Year Plan for roll-out of CMS technology and it is planned to implement CMS in 21 LSAs (Licensed Service Areas) by December, 2014.

119. The Hindu, dated 21st June, 2013, had reported that India's surveillance project may be as lethal as PRISM. When the Committee enquired the extent to which CMS will help the Law Enforcement Agencies for lawful interception and monitoring of targets and the differences and similarities between CMS and PRISM Project being implemented by the US Government, the Department, in a written note, have informed that CMS has capability to monitor all licensed services like GSM, CDMA, GPRS, 3G video call, PSTN, etc. However, CMS is functioning under the regulatory framework of the country, which is target-based monitoring, whereas PRISM is mass surveillance system to monitor all internet traffic.

120. On being enquired about the problems and challenges involved in the implementation of this project, the Department, in a written note, stated:-

> This is a nationwide security project having multiple stakeholders such as all the Telecom Service Providers (i.e. Access Services, carrier services- National long distance & international long distance, data services, including internet services, Mobile No. portability operators, etc.), Security/ Law Enforcement Agencies/ Ministry of Home Affairs and

Department of Telecommunications. All these stake holders need to be connected on a secure network. Lot of civil and electrical related works is being done to house the technical equipment. Since the offices of various telecom service providers are located at different locations, it is getting difficult to get them connected on same network. Thus, execution of this project needs lot of coordination with various stake holders involved. The sizing of the solution is a big challenge in view of unprecedented exponential growth of subscribers and data volume."

121. On the achievements made so far in the implementation of CMS by C-DoT during 2014-15, the Department have stated as under:-

"The major components of CMS implementation in the field involve Interception Store-and-forward (ISF) equipment installation at TSPs location, RMCs (Regional Monitoring Centres) DC-build (Data Centre-build), CMC DC build and IT infrastructure installation at RMC DC and CMC DC-builds. Till Sept., 2014, installation of ISF equipment at all TSP sites completed. Pilot RMCs for 12 LSAs completed and TSPs integrated, testing ongoing. Main CMC DC-build completed and installation of its IT infrastructure ongoing. RMC-build activities on the site and their IT infrastructure equipment procurement ongoing. C-DOT will be in a position to implement the target for 2014-15."

(ii) <u>Promotion of R&D in telecom sector</u>

122. The Department have informed that Centre for Development of Telematics (C-DOT) is the Telecom Research and Development Centre of the Government of India. It is an autonomous scientific society which develops total telecom solution technologies and applications for the fixed line, mobile and packet based converged network and services. C-DOT's current focus is on design and development of Communication & Security, Research and Monitoring related to security management for law-enforcement agencies, the development and deployment of next generation networks and cost effective rural wireless solutions.

123. As far as promotion of R&D in telecom sector is concerned, C-DOT technology roadmap presently is focused towards National and Strategic needs of the country. To fulfil the objective, some of the initiatives include research and development in the areas of cutting-edge technology in Switching, Optical, Security, Wireless and Network Management Services. Further, C-DOT constantly interacts with user industry sectors, namely, Defence, IT, Security, etc. to understand their emerging technology requirements which can be fulfilled through indigenous development. C-DOT also interfaces / engages other research institutions, premier academic institutions for joint development, etc. Besides, C-DOT also organizes various forums to involve interaction / discussion on various cutting-edge technologies amongst research institutions, academia, manufacturers, standardizing bodies, etc.

124. The Department have stated that the country is largely dependent on the import of telecom equipment by the telecom service providers based on their techno-commercial considerations. To address the security concerns, all the telecom service providers have been mandated to induct only those network elements which are tested and security certified against the relevant contemporary standards by any international/national authorized labs. Some of the suggestions for development of R&D in Telecom sector in the country are as follows:

- Creation of corpus funds to promote indigenous R&D, entrepreneurship, manufacturing, technology commercialization and IPR creation.
- Promotion and setting-up of requisite eco-system for standardization, design, research and development, testing, manufacturing, i.e. complete value chain for domestic production of equipment to meet the telecom sector demand.
- Provide preference in the procurement of telecom products for indigenously developed and domestically manufactured telecom technology, etc.
- Creation of manufacturing fund for providing financial support for working capital requirement at attractive rate of interest for the manufacturing of indigenously developed technology (ies).

125. Some of the achievements of C-DoT are as follows:-

- Giga-bit Passive Optical Network (GPON) for point to multi-point communication on fiber technology development completed.
- Technology development for Centralized Monitoring System (CMS) for lawful interception monitoring and analysis completed.
- NGN /MAX-NG, C-DOT VoIP-based next generation packet technology, for building requisite broadband infrastructure – media gateways, signaling softswitch, routers, CPEs, etc. has been completed.
- Broadband wireless technology, BBWT development has been completed.
- Shared GSM Radio Access Network (SG-RAN) for sharing of active infrastructure amongst 3 mobile operators; useful for deployment in rural sector cost effectively with low CAPEX and OPEX cost has been completed.
- FTTH technology for building campuses, point of interconnect has been developed and under transfer technology process.

126. C-DoT's focus on new areas of research are long term evolution-Advanced (LTE-A) – 4G Wireless technology; Optical Technology – Next Generation PON (Passive Optical Network) technology and 100G DWDM technologies for optical backbone network and Terabit Capacity Router Technology, etc.

127. Future areas of research for C-DoT include Switching and Routing; next generation PON technology and Optical Core network (OCN) for long haul applications; Broadband Wireless Terminal, a Wi-fi technology, to access data, voice, and video using standard Wifi-enabled PCs, laptops, GSM-based Shared GSM Radio Access Network (SG-RAN) technology, which reduces the CAPEX and OPEX to approx. 1/3rd cost; next generation mobile technology, i.e. 4G; Centralized Monitoring system (CMS) for pan India call interception, monitoring, and analysis; SDCN (Secure Dedicated Communication Network) for intra-government communication and Unified network Management System (UNMS) to build future-proof converged network management platform to be adapted for the management of different technologies in the network. R&D efforts are also going on to develop platform for rendering an innovative user access method for illiterate and rural population adopting internet-based application.

X. Telecom Enforcement and Resource Monitoring (TERM) Cells

(i) Curbing of illegal set-ups causing financial loss to the exchequer

128. The Committee have been informed that one of the major purposes of creation of TERM Cells was to curb the illegal operations (not permitted under the Indian Telegraph Act) and to catch hold of the culprits. More than 500 such illegal set-ups have been unearthed and raided with the concerned Law Enforcement Agencies (LEAs), i.e. local police, CBI, DRI, etc. to catch hold of the culprits. These cases have been handed over to the Law Enforcement Agencies (LEAs) for further action against the culprits.

129. The Committee have also been informed that as per section 4 of the Indian Telegraph Act 1885, "Within [India], the Central Government shall have exclusive privilege of establishing, maintaining and working telegraphs: Provided that the Central Government may grant a license, on such conditions and in consideration of such payments as it thinks fit, to any person to establish, maintain or work a telegraph within any part of [India]". Thus, any person providing telegraph services in violation of the above falls under illegal operations in contravention of the Indian Telegraph Act, 1885.

130. On the quantum of financial loss and other dangers due to existence of such illegal set-up, the Committee have been informed that the total notional loss occurred is approx. Rs. 780 crore. The loss is notional as the Government and the service providers have been deprived of revenue, which they could have earned, if such operations had been carried out legally.

131. Apart from incurring financial loss to the exchequer, there is also a possible security threat to the nation because activities performed through such illegal operations may not be traced by the Law Enforcement Agencies. There is serious handicap of continued acute shortage of suitable manpower and IT infrastructure with TERM Cells in identifying and raiding such illegal setups.

132. Elaborating on the issue, the Secretary, DoT, in evidence, stated:-

> "...xxx....Earlier, when the international calls were coming to India or we were ringing up a foreign country, the call used to be very, very costly. We used to pay approximately Rs. 6-7 per second for international calls, in addition to the local call cost. But after 2006-07, there was not much of a difference in the costs. Suddenly, as a result of that, there was a drastic fall in the international illegal routing....xxx....Whatever illegal calls are happening, they are not so much for earning money out of illegal routing, but they are much more because of some kind of anti-national activities. Most of them have been caught either by the local police or by the CBI. Basically, the people behind that are anti-national elements who want their calls through some kind of a channel which cannot be monitored by the legal agencies. These kinds of things are still happening, but not in that large number....xxx..."

133. Regarding the existing monitoring mechanism, the Department have stated that TERM Cells find out about the clandestine activity/ grey market operations through complaint/ information received by any means, observation of unusual traffic in operators' networks, social contacts, already investigated/ under investigation cases and through Security/Law enforcement Agencies. When such information is received by TERM Cells, they examine/ analyze the information and identify the culprits/ location of illegal operation and then a raiding party comprising of officers from TERM Cell and LEAs is formed. Representatives of the concerned Telecom operator are also included in the raiding party if felt appropriate. The team conducts the raid on the premises of the illegal operation. The set-ups found at the site are investigated by TERM Cell officers as per the evidences found (routers, personal computers, Subscriber Identity Module (SIM) cards, cabling, internet connections etc.). If *prima-facie* it is established that illegal set-up was working at the premises, the matter is handed over to the Law Enforcement Agency for further action. This is one of the assigned activities of TERM Cells. Additionally, all the Telecom Service Providers have also been mandated to implement the provisions such as monitoring of Bulk Connections' Users, CDR analysis in respect of heavy callers, mandatory transmission of CLI by all service providers without tempering and leased line customers premises inspection and verification in compliance to license agreement.

134. To a query regarding availability of adequate manpower and IT infrastructure to TERM Cells, the Department submitted as under:-

> "The issue of posting of adequate manpower in the DoT to carry out the assigned fuctions in an effective & time bound manner is under examination in DoT, taking into consideration requirements/justification of work.
>
> The design, development and implementation of the IT infrastructure for all TERM Cells which includes requirement of both hardware and related

application software for various functions being carried out by TERM Cells is under discussion. Further automation of day to day operations of TERM Cells by way of having an intranet connecting the TERM Cells & TSPs and application running over this infrastructure which will enable the flow of information in automated and seamless manner for quick processing analysis, digitization of activities in order to achieve greater transparency is also being examined."

135. The Department have informed that 559 cases of illegal set-ups have been unearthed so far. On the issue of Centralized Monitoring Mechanism for monitoring of the cases, the Department further informed that the updated status of these cases are available only with concerned LEAs as the same are being dealt with by them in different courts of law. TERM Cells seek the current/ updated status of these cases periodically from LEAs concerned which is further submitted to DoT HQ for monitoring purpose.

XI. Telecom equipment manufacturing and related security issues

(i) Status of telecom equipment manufacturing in the country

136. Regarding the status of the demand of the Indian Telecom Sector and domestic production of telecom equipment, the Department, in a written note, submitted that as per the TRAI report dated 12th April, 2011, the demand for telecom equipment in India was of Rs. 54,765 crore (US$12 billion) in 2009-10 which was about 5.5% of the global demand. It is also expected that the total demand for various categories of telecom equipment is projected to be about Rs 1,08,000 crore in 2015-16 and Rs. 1,70,000 crore by 2019-20. Only about 12-13% of the demand for telecom equipment is being met by domestic production. The Department have also stated that the demand-supply gap and the imbalance between exports and imports of the telecom equipment provide a good opportunity for manufacturing of telecom equipment in India, both by the global companies and the Indian product companies.

137. The details of import/export of telecom equipment during the last three years are as under:-

(Rs. in Crore)

Year	Export	Import
2011-12	21,861	59,446
2012-13	23,074	61,538
2013-14	22,800	74,115

138. On the major impediments for increase in domestic production of telecom equipment, the Department have informed as under:-

"The telecom manufacturing industry in India faces high cost disability due to high cost of financing, poor infrastructure, etc. The telecom equipment

industry is a high tech industry which means that the companies must build economy of scales to sustain its operations. Typically, a new company faces high level barriers due to stiff competition from big established companies. The problem is compounded by the lack of domestic IC manufacturing ability in the country. It is estimated that 50 % of the Bill of Material (BOM) of telecom equipment is constituted of semiconductor based discreet and integrated circuit devices, bulk of which is imported in the country. A major characteristic of the telecom/electronic sector is the importance of R&D and innovation due to velocity of technology change. The lack of R&D fund is big constraint for a strong and vibrant R&D and innovation eco-system in the country in the telecom/electronic sector.

139. When the Committee desired to know the measures taken to address the issue, the Department informed that the National Telecom Policy (NTP), 2012 has been notified with a vision to provide secure, reliable, affordable and high quality converged telecommunication services anytime, anywhere, for an accelerated inclusive socio-economic development. The National Policy on Electronics (NEP), 2012 has been notified with a vision to create a globally competitive Electronics System Design and Manufacturing (ESDM) industry to meet the country's needs and serve the international market. The renaming of the Department as the Department of Electronics and Information Technology (DeitY) is manifestation of the Government's intent to provide thrust for promotion of indigenous industries in the area of electronics hardware.

140. The Committee have been informed that various initiatives are being taken in this regard and visibility of the impact of these initiatives is beginning to be felt. These are as under:

a. The Government has imposed basic custom duty at 10% on specified telecommunication products that are outside the purview of the information technology agreement. The Government has also imposed education cess on imported electronic products to provide parity between domestically produced goods and imported goods.

b. The policy for providing preference to domestic manufacturers for 23 notified telecom products in Government procurement is under implementation.

c. Electronics Manufacturing Clusters (EMC) Scheme provides financial assistance for creating world-class infrastructure for electronics manufacturing units.

d. Modified Special Incentive Package Scheme (M-SIPS) provides financial incentives to offset disability and attract investments in the manufacturing of electronics products (including telecom).

e. Government has approved setting up of two semiconductor wafer fabrication (FAB) manufacturing facilities in India which would create the necessary ecosystem for design and manufacturing of telecom equipment.

f. The government is also working on a proposal for promotion of Fabless design industry in the country which would supplement the already approved proposal of two FAB units. This would create the necessary ecosystem for design and manufacturing of telecom equipment.

g. Foreign direct investment up to 100% is allowed in manufacturing of telecom products under the automatic route.

h. DeitY is also seeking an approval on an EDF (Electronic Development Fund) policy, in which there would be a dedicated fund for investing primarily in R&D, IPR, Product development, commercialization and technology acquisition in the ESDM sector, including telecom sector."

141. On the efficacy of the above policies, the Department have stated as under:-

"The electronic/telecom manufacturing industry is a hi-tech industry and the outcome of all such policy interventions by the Government will not be immediately visible; however it is informed that 51 proposals involving investments of about Rs. 16,441 crore have been received seeking incentives under M-SIPS, out of which 22 proposals involving investments of about Rs. 2,407 crore have been approved.

Final approval has been accorded to two Greenfield Electronics Manufacturing Clusters in the State of Madhya Pradesh. "In-Principle" approval has been accorded to other 10 applications in: Andhra Pradesh-1, Telangana-2, Tamilnadu-1, Rajasthan-1, Kerala-1, Odisha-1, Jharkhand-1, Karnataka-2 [CFC (Common Facility Centre) in Brownfield]. Two more applications in the States of Chhattisgarh and West Bengal have been recommended by the Steering Committee of Clusters (SCC) for according "In-Principle" approval.

Government has also approved setting up of two semiconductor wafer fabrication (FAB) manufacturing facilities in India and Letters of Intent dated 19.03.2014 have been issued to the two consortia. These FABs when set up will stimulate the flow of capital and technology, help higher value addition in the electronic products manufactured in the country, reduce dependence on imports and lead to innovation."

(ii) <u>Security concerns related to import of telecom equipment</u>

142. The status of import and export of telecom equipment during the period from April 2013 to March, 2014 is as under:-

Sr. No	Country	Export from Apr'13 to March'14 Value (INR)		Sr. No	Country	Import from Apr'13 to March'14 Value (INR)
	Total Export (to all Countries)	**228003975572**			**Total Import (from all Countries)**	741154005079
1	**U ARAB EMTS**	43446209461		1	**CHINA P RP**	453470314687
2	**NETHERLAND**	16790411149		2	**KOREA RP**	55584169938
3	**U S A**	12554937057		3	**VIETNAM SOC REP**	54611528828
4	**UNSPECIFIED**	9222397853		4	**U S A**	27018746812
5	**SOUTH AFRICA**	8420561203		5	**HONG KONG**	18422378226
6	**TURKEY**	8295412826		6	**MALAYSIA**	17405383347
7	**HONG KONG**	7287229438		7	**TAIWAN**	16109033432
8	**RUSSIA**	6966110431		8	**SINGAPORE**	14625571938
9	**CHINA P RP**	6588010897		9	**SWEDEN**	10897659060
10	**NIGERIA**	6501002144		10	**MEXICO**	9385614345

143. When enquired about the main reasons for the massive import of telecom equipment from China, the Department, in a written reply, have stated that India has very little capability to manufacture hi-tech telecom equipment as compared to China. Major Chinese manufacturing firms such as ZTE, Huawei and Lenovo figure in the top 10 telecom manufacturing companies in the world. Therefore, the demand of high end telecom equipment and mobiles phones in the country is met from imports, significant portion of which is from China because of competitive prices.

144. On the steps taken to safeguard security interest of the nation associated with import of telecom equipment, the Department have informed that the Department of Telecommunications has already issued the comprehensive security guidelines in form of license amendments in May/June 2011. Subsequently, these security guidelines have been included in the terms and conditions of unified license as an integral part of it. These license amendments, *inter-alia*, provide for mandatory testing of telecom equipment before inducting them into India telecom network and periodic security audit.

145. The Committee have been informed that there is a proposal for establishment of various labs in TEC, such as, Security Lab, Green Passport Lab and Customer Premises Equipment and Terminal Lab (CPE&TL Lab). The purpose of these labs are as under:-

Security Lab:

Access to the World Wide Web for a variety of Internet applications through the telecom infrastructure has led to integration of the national networks to the global telecom network in an end-to-end IP scenario. This fact and extensive use of foreign made telecom equipment have led to serious threats to national security. These threats need to be tackled through promulgation of security policy, inducting safe-to-connect devices into the network, periodical security audit of the network, monitoring intrusions and attacks and taking effective steps to mitigate these attacks.

In view of the above situation, it is imperative that all hardware, software, firmware, etc. used in the telecom network are tested to actually verify their conformity to prescribed national and international standards and to ensure, to the extent possible, that the equipment are free of bugs, malwares, and other undesirable features.

Accordingly, TEC is setting up Telecommunication Security Testing Lab, which can cater to the telecom industry's need for security testing of various networks elements and CPEs.

Green Passport Lab:

To reduce carbon emissions, one of the emissions identified is consumption of power by telecom equipment. Based on TRAI recommendation, it has been decided that TEC shall be the nodal centre that will certify telecom products, equipment and service on the basis of ECR (Energy Consumption Rating) ratings. TEC may either appoint independent certifying agencies under its guidelines or may certify the same. TEC is preparing the ECR document delineating the measurement methodology utilized compliant to ECR rating.

It has been decided that all telecom products, equipment and services in the telecom network should be energy and performance assessed and certified ''Green Passport (GP)'', utilizing the ECR rating and the energy passport.

Accordingly, TEC has planned to set up Green Passport Lab.

CPE & TL Lab:

Mandatory Testing of Telecom Equipment in the interest of safety and security of citizens and the state is envisaged in the National Telecom Policy, NTP-2012. The rules and procedures of mandatory testing are under process of approval and are likely to be notified shortly. In order to fulfil the targets set under NTP, Customer Premises Equipment and Terminals Lab is required to be setup, so that the Department may get ready with the testing facilities of large number of equipment.

'CPE&TL' Lab has been proposed to enable testing of various equipment, including CPEs like Telephone handsets, including multiline, cordless, CLIP, KTS, Executive, Modems, Telephone attachments, POS terminals, SIP terminals, and CPEs having Bluetooth and Wi-fi capabilities. These will be tested for conformity to various IRs and any instructions/licensing Conditions issued by DoT.

As of now, no such lab as mentioned above has been established in TEC or RTECs. However, one SAR Lab & one NGN Lab is presently working at TEC New Delhi."

XII. Telecom Connectivity to Andaman & Nicobar Islands and Lakshadweep Island

146. The Committee have been informed that undersea cable between mainland and Andaman and Nicobar Islands was initially handled by the Andaman and Nicobar Islands Industrial Development Corporation (ANIDCO). Since ANIDCO did not have the required technical expertise, in a meeting chaired by the Secretary, Planning Commission, on 2nd May, 2014, it was decided that the undersea cable project to Andaman and Nicobar Islands shall be implemented by the Department of Telecommunications.

147. Media had reported that the telecom regulator TRAI had recommended an initial plan costing over Rs. 2,400 crore to connect Andaman & Nicobar Island and Lakshadweep with stable and strong telecom networks which at present rely on connectivity through satellites.

148. When the Committee enquired about the detailed recommendations given by TRAI, the Department have informed that TRAI has given recommendations on Improving Telecom Services in Andaman & Nicobar Islands and Lakshadweep *vide* their D.O. letter No. 102-2/2014-NSL-II dated 22.07.2014. TRAI has put forth the following objectives while formulating the telecom plan for these islands and in assessing the investment required:

- Sufficient bandwidth for broadband and e-governance services.
- 2G services in all towns/villages with population of 100 or more
- 3G services in all DHQs/SDHQs and towns
- Augmentation of 2G and 3G network in the towns/villages to improve coverage and traffic carrying capacity
- Extending mobile coverage to entire National Highways.

149. On the status of providing telecom connectivity to these two Islands, the Department have stated as under:-

Telecom Connectivity in Andaman Nicobar Islands :

At present, the telecom services in Andaman Nicobar Islands (ANI) and Lakshdweep Islands are provided mainly by BSNL. ANI is a part of West Bengal License Service Area (LSA). BSNL is facing difficulties in expanding its network to all the inhabitated islands/villages because these operations are commercially unviable.

All the telecom services are based on satellite connectivity from ANI to the main land. High satellite cost has undermined the viability of telecom operations in these islands. Added to that, the steep hike in satellite transponder charges from April, 2012 has aggravated the problem.

To have an overview about the non-viability of telecom operations, it is mentioned that during the year 2012-13 BSNL's expenditure was Rs.122 crore against an income of Rs.48 crore. Out of Rs.122 crore, Rs.65 crore was paid for satellite transponder charges only.

Telecom Connectivity in Lakshdweep Islands (LI) :

LI is a part of Kerala LSA. Like ANI, the telecom operations are financially unviable. To have an overview about the non-viability of telecom operations it is mentioned that during the year 2012-13 BSNL's expenditure was Rs.32 crore against an income of Rs.15 crore. Out of Rs.32 crore, Rs.27 crore was paid for satellite transponder charges only."

150. On the measures taken to reduce the cost of satellite transponders, the Department have informed that the Department of Telecommunications (DoT) has taken up the case with the Indian Space Research Organisation (ISRO) to waive off the satellite transponder charges for telecom services being provided by BSNL in the area of Andaman & Nicobar Islands, Lakshdweep Islands, Ladakh Region, Sikkim and Arunachal Pradesh. The decision is awaited from the Department of Space.

151. In addition, a proposal is under consideration of the Government for providing financial support to the Bharat Sanchar Nigam Limited (BSNL) for the reimbursement of satellite bandwidth charges (space segment charges) paid by it to the Antrix Corporation for hiring satellite transponders (both domestic and foreign satellites) for providing telecom services in the Andaman and Nicobar Islands. This financial support shall be for a period of three years i.e. FY 2014-15 to FY 2016-17 on annual basis to be reviewed at the commencement of the next Plan Period. The fund provision shall be made by the Andaman and Nicobar Administration through the Ministry of Home Affairs, Government of India.

152. The Committee have been informed that the Department of Telecommunications (DoT) are working on a proposal to lay submarine optical fiber cable from Chennai to Port Blair. Submarine cable connectivity will enhance reliability and enable extension of coverage of telecom network in Andaman and Nicobar Islands. Telecommunications Consultants India Limited (TCIL) has been asked to prepare the Detailed Project Report (DPR). TCIL is expected to submit the DPR by January, 2015.

153. The Telecom Regulatory Authority of India (TRAI) in its recommendations dated 22nd July, 2014, has recommended that keeping in view the strategic importance of Lakshadweep, a secure and reliable connectivity should be established through a submarine cable. This cable is proposed to connect Kochi/Cochin with Kavaratti, Agatti, Androth, Kalpini, Amini and Minicoy islands. While accepting the need to provide robust and reliable telecom connectivity to Lakshadweep islands, it is proposed that a cost-benefit analysis and feasibility study for laying submarine OFC in Lakshadweep may be undertaken along with validation of the estimated cost before proceeding ahead.

Part-II

OBSERVATIONS/RECOMMENDATIONS

DoT Budget

1. The Committee note that the detailed Demands for Grants (2014-15) of the Department of Telecommunications (DoT) was laid in Lok Sabha on 4th August 2014 for an amount of Rs. 18065.06 crore, i.e. Rs. 11037.06 crore under Plan and Rs. 7028.06 crore under Non-Plan. The Committee are concerned to note that during the year 2013-14, out of Rs 8800 crore allocated under Plan at BE stage which was reduced to Rs. 6650 crore at RE stage, an amount Rs. 4794.33 crore only was utilized. The Department have cited non-finalization of the Network for Spectrum (NFS) project by BSNL, non-finalization of project approval for construction of the National Institute of Communications and Finance (NICF) building, non-completion of validation for implementation of the Telecom Engineering Center (TEC) projects and the delay in procurement process for the Wireless Monitoring Organization (WMO) to be the main reasons for the shortfall in utilization. The scenario is even more disturbing when utilization of funds under the Capital Plan is analysed. Under the Capital Plan section, an amount of Rs. 2510.28 crore was allocated at BE which was reduced to Rs. 361.97 crore at RE stage and the actual utilization was only Rs. 215.35 crore. The Committee note that for the year 2014-15, the Department have been allocated an amount of Rs. 11037 crore under Plan which is Rs. 2237 crore more than the allocation made at BE under Plan during the previous year. The allocated amount is inclusive of Rs. 3702 crore under Capital Plan. The Committee note that the increase in Plan allocation is mainly because of the Cabinet approval of Rs. 460 crore for the revival of ITI (equity investment), finalization of tender for laying 57,000 KM of OFC by BSNL and issue of Purchase Order for Rs. 8678.70 crore and provision of Rs. 3537 crore under USOF. The Committee are of the view that proper implementation of the aforesaid schemes will improve utilization of funds under Plan head during 2014-15. However, the status of utilization of funds during 2014-15 is not satisfactory as out of an amount of Rs. 11037 crore allocated under Plan, the actual utilization up

to September 2014 has been only Rs. 1209.15 crore which is just 10.95 % of the total allocation made at BE. What is more disquieting to note is the fact that utilization under Capital Plan during the same period is just Rs. 2.24 crore out of the total allocation of Rs. 3702 crore made at BE, i.e. mere 0.06 % of the total allocation made at BE. In the opinion of the Committee, this is a matter of serious concern which warrants urgent attention of the Department. When the Cabinet had already approved Rs. 460 crore for revival of ITI, and when tender for laying 57,000 KM of OFC by BSNL was finalized for which purchase order of Rs. 8678.70 crore has alredy been placed there could have been better utilization under Capital head. While observing that the Result Frame Document (RFD) is a good initiative to measure the status of the utilization of funds of various ongoing schemes, the Committee recommend that suitable corrective measures needs to be taken by the Department to see that funds are spent prudently to achieve the milestones set for the Plan year.

Internal and Extra Budgetary Resources (IEBR)

2. Under IEBR, an amount of Rs. 6000.65 crore was allocated at BE stage by the Department in the year 2014-15. The Committee note that the C-DoT has already generated an amount of Rs. 18.72 crore till September, 2014 and the only hope is from C-DoT which is expected to meet the annual IEBR target. In the case of BSNL, out of the target of Rs. 5132.17 crore at BE, the authorization upto October, 2014 was Rs. 1480 crore only and the Outlay under RE 2014-15 is enhanced to Rs. 7142 crore for completion of ongoing projects. Since MTNL is not in a position to meet the IEBR target of Rs. 808.46 crore set at BE, MTNL has revised its budgetary requirements for 2014-15 at RE stage to Rs. 452 crore and the actual utilization till September, 2014 is Rs. 69.32 crore only. The Committee desire that utmost priority should be given by the two PSUs to meet their respective IEBR targets as it is essential for them to gradually turn self-reliant and be able to fund schemes with their own revenue rather than depend on support from DoT. The Committee hope that in the best interests of the two companies, BSNL and MTNL would pay more attention to meeting their targets in the coming years.

Performance of Public Sector Undertakings:
Performance of Bharat Sanchar Nigam Limited (BSNL)

3. The Committee note that though BSNL started mobile services in 2002-much later than other private operators who were into this service in the late nineties- it was one of the preferred operators in the telecom sector. However, at the time when telecom network was expanding at a very rapid pace, the fortune of BSNL started declining, mainly due to non-procurement of mobile equipment. BSNL also started incurring loss due to increase in expenditure owing to the huge legacy workforce, inheritance of legacy wire-line systems and declining attraction for the same, increasing maintenance cost, stiff competition in mobile sector, etc. During the year 2012-13, the total loss incurred by BSNL was Rs. 7722 crore and the total loss during the year 2013-14 was Rs. 6934 crore. What is worrying for the Committee is the fact that for the past three years, the revenue earnings of BSNL are almost static whereas the expenditure continued to increase at a steady pace during the same period. Evidently, efforts made so far are found inadequate to increase revenue and curtail losses. BSNL, of late, has taken certain steps, such as augmentation of GSM mobile network by 15 million lines under GSM Phase VII, introduction of Next Generation Network and data services etc. for increasing their revenue. Under the Phase VII GSM expansion project, 8.93 million lines of GSM radio capacity has been rolled out in its network and the remaining roll-out is in progress. About the future growth prospect, the Committee observe that since voice service has touched the maximum threshold, data services at the moment occupy the centre stage, where BSNL is consolidating its efforts to bank on this service to rejuvenate its position as a leading player in this segment. The Committee do recognize that growth of voice services has indeed reached a level of saturation in the market and Data Services are the next revenue generating opportunity for the Telecom industry in the coming years. That being so, BSNL should seize this opportunity and focus on growth of Data Services, so as to bring itself back to the forefront as a major market player in the telecom industry. In this regard, BSNL can take advantage of its huge land-line infrastructure and utilize it in providing Data Services which no other private operators have. The BSNL owns and

maintains major telecom infrastructure in the country that can be leveraged to enhance its capacity to stay and compete with other players in the field of telecommunications.

4. The Committee are, however, concerned to note that due to the high 4G spectrum cost, a major telecom player like BSNL could not get 4G spectrum and it had to surrender its Broadband Wireless Access (BWA) spectrum in 6 Circles. The Committee observe that this is not a favourable development as other Telecom Service Providers with 4G spectrum will definitely have an edge in data services. The Committee stress that in order to put itself back on the path of recovery and to reverse the present trend of declining fortune, the BSNL has no other choice but to successfully implement the GSM Phase VII project which seek to augment GSM mobile network by 15 million lines. This would help BSNL to augment its capacity, increase its network coverage and improve its Quality of Service (QoS), resulting in retention of its existing customers and attracting new customers. The Committee recommend that urgent steps should be taken for the introduction of newer technology like Next Generation Network (NGN) which will not only enable BSNL to provide several value added services but also help the PSU to successfully compete with the private sector in data services and it will not find itself lacking and unprepared for the challenges in data services. The Committee would like to be apprised of the achievements made by BSNL in respect of phase VII GSM mobile expansion project as well as the status of implementation of the Next Generation Network in the country along with the incremental benefits brought to the BSNL. The Committee also desire that preparatory work being done by BSNL *vis-à-vis* other operators with regard to 4G spectrum for rolling out data services may be furnished to the Committee.

<u>Performance of Mahanagar Telephone Nigam Limited (MTNL)</u>

5. The MTNL is another loss making Public Sector Undertaking whose financial position is precarious. The revenue generated by the Company has not shown any significant improvement over the years and the gap between revenue earned and

working expenses is still in the negative, i.e. Rs. 505.14 crore. Though there was a slight decrease in the working expenses of MTNL, i.e. from Rs. 6428.33 crore in 2012-13 to Rs. 4377.29 crore in the year 2013-14, this is not because of any specific measures taken by MTNL for decrease in operating expenses but due to the Cabinet decision for taking over the liability of payment of pensionary benefits of the erstwhile Government employees. What is further disquieting is the fact that the outstanding debt position of the organisation is also at a perilous stage. As on 31st August, 2014, MTNL had accumulated a huge outstanding debt of Rs. 14,161.51 crore. This was mainly because of payment of spectrum charges for 3G and BWA spectrum amounting to Rs. 11097.97 crore for which MTNL had to take a commercial loan of Rs. 7033.97 crore. The Committee note that because of the deteriorating financial conditions and high staff cost, MTNL was forced to raise debt even to service its interest payment. MTNL is at present facing monthly revenue deficit of about Rs. 220 crore which is being met by raising loans from banks. MTNL is reportedly planning to repay the debt through short term measures such as reduction in HR costs through salary support, Government support on Minimum Alternate Tax (MAT), leasing of its real estate property, waiver of penalty for delay in construction, etc. However, as part of long-term measures, MTNL targets to achieve revenue growth of 8-10 per cent over the next 5 to 6 years for which MTNL has to upgrade/expand its network. MTNL has also embarked on an ambitious plan to set up 1100 sites in Delhi and 1150 sites in Mumbai for 3G and 2G network to provide good quality of services. The Committee have been informed that tender in this regard has already been floated which is under evaluation. The Committee recommend that the Department/MTNL Board should take early action to finalize the aforesaid proposal so that the planned project fructifies without any delay. Tendering process which is underway for expansion/up-gradation of M/W Backhaul should also be completed at the earliest so that the targets could be achieved. The Committee are also of the view that reimbursement of Rs. 4,600 crore to MTNL for surrendering the BWA Spectrum would provide further relief to the company. Since MTNL has already surrendered the BWA Spectrum, it will be in the interest of the company that approval is accorded by the Government at the

earliest. The Committee desire the issue to be pursued and the Committee be apprised of the status in this regard.

6. The Committee note that one of the common problems both BSNL and MTNL are confronting is the employee behavior vis-à-vis customers. The representatives of BSNL and MTNL, while noting this point, have informed the Committee that they are conducting behavioral training for their staff. In the opinion of the Committee, in service based companies such as BSNL and MTNL, customer service/satisfaction is a vital parameter of growth. In fact, a customer friendly approach is the *sine-qua-non* for the success of basic service providing companies like BSNL and MTNL, especially when they are competing with other established private players who are more professional in dealing with their customers. The Committee, therefore, emphasize that this aspect should be given high priority so as to have a better image of the companies and increasing their customer base. In this regard, the Committee recommend that BSNL and MTNL should make a gap analysis at the customer service area with their market competitors. Needless to say, the services of BSNL and MTNL should be improved drastically to make it competitive with services being provided by the private players. It is imperative that performance parameters of staff of BSNL and MTNL responsible for customer service should be linked to customer satisfaction. The mechanism for redressal of complaints should be professionally managed and reviewed by the top Management periodically. Complaints should be addressed within laid down timeframe as per Service Level Agreement (SLA) and responsibility need to be fixed for any kind of lapse in providing better services.

7. The Committee note that the Government are in the process of revival and revitalization of BSNL and MTNL through various short-medium-and long-term measures. The relevant proposals for revival and revitalization of BSNL and MTNL having wide financial implications would have to go through established procedure before final decisions are taken. Some of the core issues, such as surrender with refund of BWA spectrum in both service areas held by MTNL and in 6 service areas held by BSNL, waiver of notional loan with BSNL, financial support of Rs. 492 crore on

payment of Minimum Alternate Tax (MAT) by MTNL and pension matters of MTNL have already got the approval of the Cabinet. The remaining important issues that need urgent attention, such as annual financial support to BSNL and MTNL to reduce staff costs, hiving off mobile tower assets of BSNL into a separate company, monetization of land and building assets possessed by BSNL and MTNL and merger of BSNL and MTNL are yet to be taken up with the Cabinet. The Committee emphasize that these are vital PSUs which are performing important and strategic functions, especially during events of national importance and natural catastrophe, etc. Further, telecommunications is such a vital sector which cannot be entirely left to the private players. The Committee take note of the initiatives underway with the active intervention of the Government and recommend that these should be translated into action for the much needed revival and revitalization of BSNL and MTNL.

8. One of the long-term measures contemplated by the Government includes the merger of BSNL and MTNL, with the objective to position these PSUs to emerge as market leaders in the converged telecommunication market. For an in-depth study on the implications of the merger of the two PSUs, three Groups have been constituted to look into issues of human resources integration, technology integration and corporate integration. The BSNL and MTNL are also preparing restructuring plans. Based on the outcome of the decisions on the pending issues, the final revival Plan of BSNL and MTNL will be formulated incorporating the plans of the two PSUs. The Committee recommend that the Department should take urgent steps to bring the pending issues before the Cabinet for final decisions so as to expedite the revival Plan of BSNL and MTNL.

<u>Overall position of telecom connectivity in the country</u>

<u>Public vs Private</u>

9. The Committee note that the share of the private sector in terms of number of subscribers has increased from 85.51 per cent to 87.13 per cent during the period from April 2013 to March 2014 whereas the share of the public sector declined from 14.49 per cent to 12.87 per cent during the same period. It is also observed that

during the period of one year i.e. from 31st March, 2013 to 31st March, 2014, the number of subscribers of PSUs declined by 3.07 million, i.e. by 30.7 lakh subscribers in rural areas, whereas that of the Private Sector increased by 31.59 million, i.e. by 315.9 lakh subscribers. Again, in urban areas, during the same period, the number of subscribers of PSUs declined by 6.99 million, i.e. by 69.9 lakh, whereas the number of subscribers of the Private Sector increased by 13.47 million, i.e. by 134.7 lakh. The decline in the share of public sector was attributed to decline in wireline business of BSNL and MTNL, stiff competition in mobile sector, lack of skill of employees of BSNL and MTNL, procedural delays, lack of marketing proficiency, etc. From the aforesaid position, it is amply clear that BSNL and MTNL could only perform under the regime of monopoly, but failed to compete in a liberalized market scenario where private players gradually gained dominance. The Committee observe that unless BSNL and MTNL undertake drastic reforms to reorient themselves to provide better services, the Private Sector players may marginalize them in the market in the coming years. Therefore, the need of the hour is that MTNL and BSNL must make sincere and proactive efforts to increase their respective market share by adopting some of the best business practices of the private companies. In order to survive in a competitive environment, it is imperative that BSNL and MTNL should streamline their administrative machinery and take measures to adapt to changes brought about by the market environment. The Committee would like the two companies to identify their respective strengths and weaknesses and accordingly organize them to become market leaders in providing telecom connectivity in the country.

<u>Wireline vs Wireless</u>

10. So far as the position of wireline v/s wireless is concerned, the Committee find that the share of wireless telephones has increased from 96.64 per cent at the beginning of the financial year to 96.65 per cent by the end of March 2014, whereas the share of wireline telephones declined marginally from 3.36 per cent to 3.05 per cent during the same period. The Committee noted that during the year 2013, in the United States of America, the number of subscribers per 100 inhabitants in case of

wireline is 42.22 per cent and that of wireless is 95.53 per cent. In the case of France, it is 60.78 per cent for wireline whereas it is 98.50 per cent for wireless. Even in China, the number of subscribers per 100 inhabitants in case of wireline is 19.27 per cent whereas that of wireless is 88.71 per cent. In stark contrast, in India the number of subscribers per 100 inhabitants in case of wireline is a mere 2.34 per cent whereas that of wireless is 71.69 per cent. The Committee are given to understand that the main reason for the existence of a substantial subscriber base for wireline telephony in developed countries is that the penetration of wireline services had almost saturated before the entry of wireless services. However, the fact remains that India's low wireline subscribers base is squarely linked with the poor performance of BSNL and MTNL who are operating in wireline business for several decades with massive infrastructure. The Committee are of the view that if the present trend continues, in the next few years the wireline subscriber base in India may be further marginalized and become insignificant. As such, the Department should try to promote the wireline subscriber base in India by adopting measures best suited to the country. The Committee recommend that steps taken in the direction of rationalizing the average cost of access wireline vis-avis access wireless can prove immensely helpful for the expansion of the wireline telephony.

<u>Rural and Urban teledensity</u>

11. Tele-density, which shows the number of telephones per 100 population, is an important indicator of telecom penetration in the country. The Committee note that by the end of March, 2014, the overall tele-density in the country was 75.23 per cent. It is a matter of concern that when urban tele-density was 145.46 per cent in the beginning of 2014-15, rural tele-density stood at mere 44.01 per cent. The main hurdle in increasing rural tele-density is primarily attributed to inaccessibility and remoteness of certain areas, higher capital and operational expenditure, less revenue flows, requirement for viability gap funding, lack of electricity, etc. The Committee are given to understand that in the Twelfth Plan, there is a target to provide 1200 million connections and mobile access to all the villages and increase rural tele-density to 70

per cent by 2017. Various plans formulated by the Department include providing telecom connectivity to uncovered villages in the North East areas by 2016, in the Himalayan States by mid 2017, in the Borders States and Islands by mid 2017, the Left Wing Extremist affected States by mid-2018 and the remaining States and Southern States by mid-2019. The Committee are of the view that at 145.46 per cent, while the tele-density in urban areas has already reached a very high level, there is an urgent need to significantly increase rural tele-density from the present level of 44.01 per cent. The Committee observe that the key for achieving the Twelfth Plan targets of achieving 70 percent rural tele-density lies in taking requisite measures for effective implementation of the above schemes. The Committee may be apprised of the progress made in this regard.

Internet and Broadband connectivity in the country

12. The Committee note that as per data released by the International Telecommunications Union (ITU), India's mobile broadband penetration in 2013 (based on per 100 inhabitants) was a mere 3.2 per cent. This was much lower than the global average of 26.7 per cent and placed India at the 113th spot among 138 countries. India's mobile broadband reach was smaller than neighbours like Nepal (13 per cent), Bhutan (15.6 per cent) and Sri Lanka (7.8 per cent). Some African countries like Ghana (39.9 per cent) and Nigeria (10.1 per cent), too, were much ahead. The Committee also note that as per the latest TRAI data, as on March, 2014, there were 933.02 million telephone subscribers in the country, whereas the total number of broadband subscribers as on August, 2014 is 74.3 million, which is approximately 6.2 per 100 inhabitants. The Department have expressed optimism that at the present growth rate of 3 to 4 million broadband subscribers per month and the roll-out of 3G/BWA services and the commissioning of the National Optical Fibre Network (NoFN), the Twelfth Plan target of 175 million broadband connections by 2017 will be achievable. However, an analysis of the implementation of various schemes relating to broadband under the aegis of the Universal Service Obligation Fund (USOF) give a different picture. Under the scheme of Optical Fibre Network Augmentation, Creation

and Management of intra District SDHQ-DHQ of Network in service area of NE-I and NE-II, the roll-out of the scheme is yet to start. The scheme 'Wireless Rural Broadband connectivity to rural and remote areas' for providing broadband connectivity to 5.5 lakh villages has been put on hold due to conflict with roll out obligation of 3G/BWA bidders. The scheme 'Satellite Rural Broadband Connectivity in rural and remote areas' for providing broadband connectivity to 5000 identified villages is yet to be launched. The National Optical Fibre Network (NoFN) for providing optical fibre connections to 2.5 lakh Gram Panchayats had been approved by the Union Cabinet on 25th October, 2011 and the scheme is likely to be completed by December, 2016. From this, the Committee are inclined to conclude that poor broadband penetration in the country is mainly due to lack of infrastructure which, in turn, is because of the inordinate delay in the implementation of the above schemes. The Committee are aware that the Government are planning to bring about a broadband revolution in the country, especially in the rural areas, with a view to bringing different services to the doorsteps of the people. Moreover, the Twelfth Plan had set the target of providing 175 million broadband connections by the year 2017. However, the poor status of implementation of various projects does not augur well, particularly when the Government have the vision to increase broadband connectivity in the country in the context of e-Governance and under the 'Digital India Programme'. During the course of examination of the Demands for Grants of the Department of Electronics and Information Technology, the Committee have come across several schemes of the Department that are lagging behind due to the poor connectivity scenario. The Committee observe that without taking appropriate measures for early implementation and rolling out the schemes related to connectivity, the status of broadband connectivity in India will continue to lag behind other countries. The Committee, therefore, desire that the Department should seriously look into the delay in roll-out of the above schemes while at the same time creating a congenial atmosphere for increase of broadband connectivity in the country. The Committee also recommend that separate urban and rural data of internet and subscribers should be maintained in line with the system adopted in measuring the tele-density

for urban and rural areas. This would help in clearly understanding the status of broadband and internet connections in the country. In this regard, the Telecom Regulatory Authority of India (TRAI) may be impressed upon to put in place a mechanism enabling maintenance of subscriber data segregated between rural and urban areas.

DoT Projects

OFC Based Network for Defence Services

13. The Cabinet Committee on Infrastructure (CCI), in its meeting held on 3 December, 2009, had given the approval for setting up of an exclusive dedicated OFC based communication network for Defence Services to vacate the occupied frequency spectrum to be used for next generation mobile telephone. The Air Force Network which started in 2006 has already been dedicated to the Nation on 14 September, 2010. The Army and Navy components of the network comprising of 219 and 33 sites respectively, were to be completed by December, 2012. However, the tender floated by BSNL in 2010 could not be finalized because of the increase in tender cost from Rs. 2000 crore to Rs. 7423.96 crore. The CCI, in their meeting held on 3 July, 2012, had given financial approval of Rs. 5236 crore over and above Rs. 8098 crore, already approved by them on 3rd December, 2009 for laying of alternate communication network for Defence Service in a period of 36 months, i.e by 3rd July, 2015. The status of utilization of funds under the scheme shows that during the year 2013-14, out of the total allocation of Rs. 1356 crore at BE, which was revised to Rs. 1518 crore at RE stage, the actual utilization made under the project was only Rs. 211.51 crore. The Committee also note that out of the 10 components of the network, tender has been finalized for only one component, i.e. OFC cable (Tri Services Backbone and Army Access) at the cost of Rs. 8678.74 crore. Two components, i.e. Transmission Equipment (TRI Services Backbone) and IP/Access Network (Navy) are under litigation and in respect of another component the Unified Network Management System, Request for Proposal (RFP) has not yet been received from the Army. The Committee observe that there has been an inordinate delay in the implementation of the project with substantial time and cost over runs and at the present pace of implementation, it

is unlikely that the Department will achieve the targets within the given timeline. In view of the fact that spectrum availability for mobile telephony has become inadequate due to increasing demand of mobile services in the country and more spectrum are required for higher national growth of subscriber base, the timely completion of the project has become a matter of immediate priority. Now that the main tender for laying 57,000 km of OFC has been finalized by BSNL for an amount of Rs. 8678.74 crore and Purchase Orders for all seven packages have been placed, the Committee would like the Department and the implementing agency to give special attention for the timely and successful implementation of the project. The tender for the remaining components may be finalized at the earliest and efforts should be made to settle all the legal hurdles in the implementation of the project. The Committee may be apprised of the progress made under the scheme.

Utilization of funds under Universal Service Obligation Fund (USOF)

14. The Government had announced the Universal Service Obligation Support Policy on 27th March, 2002 for augmenting the infrastructure and increasing telecom coverage in the rural and remote areas. The resources for implementation of USO are raised through a Universal Service Levy (USL) which has presently been fixed at 5 % of the Adjusted Gross Revenue (AGR) of the telecom service providers. During the year 2013-14, an amount of Rs. 7896.39 crore was collected under USOF, out of which Rs. 3000 crore was allocated at the BE/RE stage and the actual utilization was Rs. 2163.44 crore. The schemes which have made maximum utilization under USOF were Rs. 1500 crore for support for Rural Wireline Household DELs installed prior to 1st April, 2012, Rs. 514 crore for NoFN, Rs. 64.40 crore for Shared Mobile Infrastructure Scheme (Phase-I) and Rs. 60.48 crore for Rural Wireline Broadband Scheme, etc. During the year 2014-15, though the Department had proposed an amount of Rs. 14786.74 crore for USOF activities, an amount of Rs. 3537 crore only was allocated at BE stage. The Committee's examination further reveals that a total number of 20 schemes/items are being implemented by the Department under USOF during 2014-15. However, out of these 20 schemes, Plan fund allocated in respect of 7 schemes were for making spill-over payment and not for achieving any new targets. Moreover, four schemes,

viz **Scheme for Mobile Services in uncovered villages; Augmentation, creation and management of OF Network in West Bengal and Sikkim; Wireless Rural Broadband connectivity to rural and remote areas and Satellite Rural Broadband connectivity in rural and remote areas are yet to be launched. The Committee feel that early settlement of spill-over amount with respect to all the closed schemes will result in better restructuring and streamlining of the schemes under USOF. The Committee, therefore, recommend that the Department should explore ways for one-time payment to the schemes for which spill-over payment is still going on and closure of these schemes so as to enable the Department to lay emphasis on new schemes. The Committee also recommend that urgent steps should be taken for the implementation of all the schemes of USOF, including the four schemes for which approval has already been taken. The Committee feel that since USOF is specially created for the purpose of providing telecom coverage to people living in rural and remote areas, any further delay in the implementation of the USOF schemes would only be at the cost of people living in rural areas. The Committee would like the Department to work in the above direction so that all the USOF schemes could be implemented and their targets achieved.**

<u>National Optical Fibre Network (NOFN)</u>

15. The NOFN Project approved by the Government on 25th November, 2011 aimed at connecting all the 2,50,000 Gram Panchayats in the country through optical fibre. The Department have informed that NoFN Project is envisaged as a Centre-State joint effort and the project is being executed by a Special Purpose Vehicle (SPV), namely the Bharat Broadband Network Limited (BBNL). BBNL is executing the project through three Central Public Sector Undertakings (PSUs), *viz*. BSNL, Railtel and PowerGrid. The Committee have also been informed that a Tri-partite MoU has been signed with all States and Union Territories except Tamil Nadu and Lakshadweep. Once fully implemented, content providers can launch various services, such as e-Health, e-Education, e-Governance, etc. in rural areas. The project is being funded by USOF and the initial estimated cost for the project is Rs. 20,100 crore. The Committee

further note that NoFN is one of the biggest schemes under the USOF activities of the Department of Telecommunications. The Committee are, however, concerned to note that there has been a severe under-utilization of funds under such an important scheme of USOF during the year 2013-14 wherein out of Rs. 3000 crore allocation made under USOF, Rs. 2500 crore had been allocated for NoFN and the actual utilization was only Rs. 514 crore. During the year 2014-15, an amount of Rs. 3537 crore has been allocated for USOF at BE stage, out of which Rs. 1477.26 crore has been earmarked for the NoFN project. The Department have stated that for achieving physical target of 1,00,000 Gram Panchayats, under NoFN, Rs. 7306.81 crore was required and non-provision of adequate funds during the current Financial Year will hamper achievement of physical targets. However, the status of implementation of the above scheme shows that the actual realization of targets under the scheme is far from satisfactory. Since the inception of the scheme in 2011, against the target of providing 1,00,000 Gram Panchayats, the Committee find that work is in progress in only 415 blocks (out of approx. 6,600 blocks) covering 10,876 Gram Panchayats. The Committee are deeply distressed to note that against the target of achieving 1,00,000 Gram Panchayats during the current financial year, it is now expected that only 50,000 Village Panchayats will be connected by the end of the financial year and the target for completion of the project has been delayed till December, 2016. Keeping in view the fact that the initial plan was to complete the project by 2013, any further delay in the implementation of the project will only affect its targets groups. The Committee observe that the NoFN have the potential to act as the backbone for broadband connectivity in rural areas, and hence expeditious implementation of this scheme will immensely benefit the rural masses to have easy access to various services, such as e-Health, e-Education, e-Governance, e-Commerce, etc. The Committee desire that urgent necessary steps must be taken for achieving the annual targets. Regarding the requirement of funds during the current year, the Committee recommend that the matter may be taken up by the Department with the Ministry of Finance, so that the implementation of this scheme does not suffer due to want of adequate fund. The Committee also desire that the signing of the Tri-partite MoU with Tamil Nadu and

Lakshadweep be expedited to bring them under the umbrella of NoFN. The Committee may be apprised of the steps taken in this regard.

Providing Mobile Connectivity in Left Wing Extremist (LWE) affected area

16. The Committee note that the Union Cabinet in the meeting held on 4th June, 2013, had approved the proposal to install mobile towers at 2199 locations identified in 9 States which are affected by LWE and work had been awarded to BSNL to be completed within 12 months, i.e. by 4th June, 2014. The Committee note that out of 2199 towers, BSNL has so far installed only 363 towers. The installation of the remaining 1836 towers was delayed mainly because the Capital Expenditure (Capex) and Operational Expenditure (Opex) for 1836 towers discovered by BSNL through tender process was 21.72 per cent higher than the estimated cost. It was because of this that during 2013-14, in spite of allocation of Rs. 237.75 crore for the scheme, the utilization under the scheme was 'Nil'. The Committee have been informed that on 20th August, 2014, the Cabinet had approved project implementation cost of Rs. 3567.58 crore against a revised estimated cost of Rs. 3216.12 crore. The Committee observe that setting up of towers in the LWE affected areas has long been overdue as the initial plan was to complete the project by June 2014. Now that the draft agreement has been signed between BSNL and USOF on 30 September, 2014, and as per the tender requirement of BSNL, the vendors shall execute the work in 12 months from the date of signing of the agreement between BSNL and USOF, the Department should constantly monitor the implementation process by the selected vendors. The Committee view that any further delay would only add to the misery and discomfiture of the common man already affected by Left Wing Extremism. The Committee, therefore, recommend that an allocation of Rs. 825 crore projected at RE stage may be utilized effectively so that the target of setting up towers at 488 sites by March, 2015 should be achieved positively. So far as the status of the existing towers is concerned, the Committee have learnt that out of the 363 installed towers, 1 tower has been burnt by naxals, 06 towers have to be relocated, 18 towers are faulty and can be restored only with new VSAT media as the existing media has been damaged.

Keeping in view the difficult terrain and problems associated with installation of towers in hilly area, the Committee are of the view that towers should not have been allowed to be installed and appropriate caution should have been taken at the stage of installation itself. The Committee desire that necessary work of repair, restoration and maintenance of all the 25 towers should be taken up on priority basis so that real benefit accrues to the common man living in the area. The Committee may be apprised of the action taken in this regard.

Centre for Development of Telematics (C-DoT)
Centralized Monitoring System (CMS)

17. The Centre for Development of Telematics (C-DoT) is the Telecom Research and Development Centre of the Government of India. C-DoT's current focus is on the design and development of communication and security, Research and Monitoring related to security management for law enforcement agencies, the development and deployment of next generation networks and cost effective rural wireless solutions. The Committee note that the C-DoT is installing the Centralized Monitoring System (CMS) for lawful interception and monitoring of targets as required by the Law Enforcement Agencies (LEAs) which will help in reducing the manual intervention at many stages and save time. The Committee have been informed that as against 'PRISM' which is the main surveillance system implemented by the US Government to monitor all internet traffic, CMS will function under the regulatory framework of India, which is target-based monitoring. CMS will have the capability to monitor all licensed services like GSM, CDMA, GPRS, 3G Video Call, PSTN, etc. Regarding any foreseeable difficulty, the Department have informed that since CMS is a nation-wide security project having multiple stakeholders such as all the Telecom Service Providers and their location of offices at different places, it is getting difficult to get them connect in the same network. The Committee note that C-DoT is planning to implement CMS in 21 Licensed Service Areas by December, 2014. The Committee appreciate that till September, 2014 installation of ISF equipment at all TSP sites has been completed. During the year 2014-15, as against the proposed amount of Rs. 250

crore, an amount of Rs. 200 crore has been allocated at BE stage. The Department have expressed their apprehension that this would definitely affect the implementation of CMS. The Committee, while taking note of the important role mandated for the Centralised Monitoring System for lawful interception and monitoring of the targets, desire that the roll out activity plan under CMS for the year 2014-15 should not be allowed to suffer due to reduction in the GBS allocation. The Committee are of the view that introduction of CMS will definitely help Central and State level Law Enforcement Agencies in interception and monitoring, because it will provide for electronic provisioning of target numbers without any manual intervention from TSPs, thus enhancing the secrecy level and quick provisioning of target. Adequate fund should be made available to the scheme by reallocating the resources from other idle schemes so that roll-out activity could be accomplished. The Committee desire the Department to take all the necessary steps and keep the Committee informed of the progress made in this regard.

<u>Promotion of R&D in telecom Sector</u>

18. As far as promotion of R&D in telecom sector is concerned, C-DoT technology roadmap presently is focused towards national and strategic needs of the country. To fulfill the objective, some of the initiatives taken by the C-DoT include research and development in the areas of cutting-edge technology in Switching, Optical, Security, Wireless and Network management services. Some of the technology achievements made by the C-DoT include technological development of Giga-bit Passive Optical Network (GPoN), Centralized Monitoring System, NGN/Max-NG, C-DoT VoIP-based next generation packet technology, Broadband Wireless Technology, Shared GSM Radio Access Network (SG-RAN) and FTTH technology for campuses, etc. The Committee have also been informed that C-DoT is focusing on new areas of research, such as 4G Wireless technology, Next Generation PON (Passive Optical Network) technology and 100G DWDM technologies for optical backbone network, Terabit Capacity Router Technologies, etc. For development of R&D in the telecom sector, the Department have furnished suggestions, such as creation of a corpus fund to promote

indigenous R&D, promotion and setting up of requisite eco-system to meet the telecom sector demand, providing preference to domestically manufactured telecom technology and creation of manufacturing fund for providing of financial support for manufacturing of indigenously developed technologies. The Committee endorse the suggestions and recommend the Department to take up the matter with the appropriate authorities for materialization of the proposals. With changing technological requirements and the increasing demand for better and newer technology in the telecom sector, the Committee emphasize that there is an urgent need to expand the areas of research. Since lack of R&D has also been cited as one of the major reasons for India's poor manufacturing capability in telecom equipment thereby resulting in huge import of telecom equipment, providing further fillip to R&D assumes added significance. The Committee would like to be apprised of the progress made in R&D efforts oriented to develop a platform for rendering 'an innovative user access method' for illiterate and rural population adopting internet-based application.

Telecom Enforcement and Resource Monitoring (TERM) Cells

Curbing of Illegal Telecom Operations

19. One of the major purposes of the creation of the Telecom Enforcement and Resource Monitoring (TERM) Cells is to curb illegal operations (not permitted under the Indian Telegraph Act) and to catch hold of those who violate the provisions of the Act. As per Section 4 of the Indian Telegraph Act, 1885, within India, the Central Government shall have exclusive privilege of establishing, maintaining and working telegraphs. Any person providing telegraph services in violation of the provisions of the Telegraph Act falls under the category of illegal operations. The Committee have been informed that 559 cases of illegal telecom operations have been unearthed so far. The total notional loss due to such illegal telecom operations is approximately Rs. 780 crore. Apart from the financial loss, what is of serious concern is the fact that such illegal operations pose a security threat as well to the nation because such activities may not be traced by the Law Enforcement Agencies (LEAs). Considering the wide ramifications of illegal operations, the Committee are of the firm view that the

existing mechanism needs to be strengthened and made foolproof. At present, TERM Cells identify the clandestine activity/grey market operation through complaint/information, observation of unusual traffic, social contacts, cases under investigation, Law Enforcement Agencies, etc. To ensure that such activities are curbed, all Telecom Service Providers have also been mandated to monitor bulk connections users, Call Detailed Report (CDR) analysis in respect of heavy callers, mandatory transmission of Caller Line Identification (CLI) and customer premise inspection and verification. The Committee recommend that TERM Cells should come out with an effective mechanism to identify such illegal activity *suo-motu* rather than been dependent on other sources as mentioned above so as to initiate timely corrective action. The Committee also note that the TERM Cells are seriously handicapped by shortage of manpower and IT Infrastructure in identifying and raiding such illegal set-ups. To overcome these problems, the Committee have been informed that the issue of posting of adequate manpower in the DoT to carry out the assigned functions in an effective and time bound-anner is under examination in DoT, taking into consideration requirements/justification of work. Observing that shortage of manpower and IT Infrastructure in the TERM Cells are not only affecting their vital responsibility of unearthing illegal set-ups but also hampering monitoring activities to enforce adherence to mandatory guidelines by TSPs, the Committee recommend that the issue of posting of adequate manpower and upgradation of infrastructure of the TERM Cells need urgent attention of the Department.

<u>Status of manufacturing of telecom equipment in the country</u>

20. The Committee note that with the emergence of newer technology, the demand for telecom equipment has increased rapidly in the country. As per TRAI Report dated 12th April, 2011, the total demand for various categories of telecom equipment is projected to be about Rs. 1,08,000 crore in 2015-16 and Rs. 1,70,000 crore by 2019-20. During the year 2013-14, the total import of telecom equipment by India was for Rs. 74,115 crore, whereas the total export of telecom equipment from India was for Rs. 22,800 crore only. The Committee note that the major impediments

in the path of the telecom manufacturing industry are high cost disability due to high cost of financing, poor infrastructure, stiff competition from big established companies, lack of domestic IC manufacturing ability and lack of R&D fund. The Department have notified the National Telecom Policy (NTP) with a vision to provide secure, reliable, affordable and high quality converged telecommunication services. The Committee also note that the Department of Telecommunications, in coordination with the Department of Electronics and Information Technology, have taken several initiatives, such as imposition of basic custom duty on specified telecom products, preference to domestic manufactures for 23 notified telecom products, providing financial assistance under the Electronics Manufacturing Clusters (EMC) Scheme and the Modified Special Incentive Package Scheme (M-SIPS), approval for setting up of two Semiconductor Wafer Fabrication (FAB) manufacturing facilities, proposal for promotion of Fabless design industry, FDI upto 100 per cent in manufacturing of telecom products, etc. The Committee further observe that out of the 51 proposals involving investment of about Rs. 16441 crore, only 22 proposals involving investment of Rs. 2407 crore have been approved under M-SIPS. Under the EMC scheme, final approval has been accorded only to two Greenfield Electronics Manufacturing clusters and 'in-Principle' approval has been accorded to 10 applications, and Letter of Intent (LoI) have been issued to two consortia for setting up of two Semiconductor Wafer Fabrication Manufacturing facilities. Keeping in view the fact that excessive dependence on import of telecom equipment is not in the interest of nation, the Committee recommend that a coordination mechanism may be worked out with DeitY to urgently review the implementation status of the various initiatives under the National Telecom Policy (NTP) (2012) and the National Electronics Policy (NEP) (2012) so that these initiatives do not remain only in paper but are translated into specific action and clear cut result, helping to promote domestic telecom equipments manufacturing capabilities. Since 50 per cent of the Bill of Material (BoM) of telecom equipment is constituted by semiconductor based discreet and integrated circuit devises, the bulk of which is imported, the Committee also recommend that special emphasis must be given towards developing

manufacturing capabilities for semi-conductor and integrated circuit devices. In this regard, the Committee would like the Department to take urgent measures for setting up of two semiconductor wafer fabrication manufacturing facilities for which the Government have already given their approval. The progress made on the above initiatives should be intimated to the Committee.

Security concerns related to import of telecom equipment

21. The Committee note that during the period from April 2013 to March, 2014, out of the total of Rs. 74,115.40 crore telecom equipment imported by the country, 61.18 per cent of the telecom import amounting to Rs. 45347.03 crore was from China, mainly because of competitive prices offered by China. The Department have also conceded that at present India has very little capability to manufacture hi-tech telecom equipment as compared to China and that modern age telecom equipment is vulnerable to spyware/malware, etc. in the hands of anti-national, anti-social or other miscreants. The Committee note that to safeguard the security interest of the nation associated with import of telecom equipment, the DoT have already issued comprehensive security guidelines in the form of Licence amendments in May/June 2011 that have been included in the terms and conditions of the Unified Licence which, *inter-alia*, provide for mandatory testing of telecom equipment before inducting them into Indian telecom network and periodic security audit. The Committee are, however, concerned to note that except for one SAR Lab and one NGN Lab presently working at TEC, New Delhi, there is no other lab for testing of telecom equipment. The Committee have been informed that there is a proposal for establishment of various labs in TEC, such as Security Lab for security testing of various elements and Green Passport Lab for certifying telecom products equipment and services on the basics of Energy Consumption Rating and Customer Premises Equipment and Terminal Lab to enable testing of various equipment, etc. The Committee are given to understand that the Project Estimates for setting up of the Security Lab is under approval in DoT and Project Estimates of the other labs are under preparation. Considering the fact that the extensive use of foreign made

telecom equipment poses serious threats to national security, the Committee have serious apprehensions about the satisfactory testing of telecom equipment in the country in the absence of adequate security labs. Now that the Department of Telecommunications have issued guidelines for mandatory testing of telecom equipment before inducting them into the telecom network, the Committee stress that there is an urgency for the early setting up of the security labs. The Committee, therefore, recommend that the Project Estimates of the Security Lab which is under approval and the Project Estimates of the Green Passport Lab and CPE&TL Lab which are under preparation should be finalized at the earliest.

Telecom Connectivity to Andaman and Nicobar Islands (ANI) and Lakshadweep Islands (LI)

22. The Committee note that initially the undersea cabling between the mainland and the Andaman and Nicobar Islands (ANI) was handled by the Andaman and Nicobar Islands Industrial Development Corporation (ANIDCO). However, due to lack of requisite technical expertise by ANIDCO, the Planning Commission decided on 2nd May, 2014 that the project will be implemented by DoT. The Telecommunications Consultant of India Limited (TCIL) had been entrusted to prepare a Detailed Project Report and the same is expected to be submitted by January, 2015. Separately, TRAI in their Report dated 27th July, 2014, had recommended that telecom services in ANI and Lakshadweep Islands may be improved. The Committee note that the recommendations of TRAI for improving telecom services in these two islands are under consideration of the Department. TRAI, in the same Report, had also recommended that keeping in view the strategic importance of Lakshadweep, a secure and reliable connectivity should be established through submarine cable. The recommendations of TRAI for improving telecom services in these two islands are under consideration of the Department. At present, connectivity to ANI and Lakshadweep Island is provided through satellite and during 2012-13, Rs. 65 crore was spent for satellite transponder charges for ANI and Rs. 27 crore in case of Lakshadweep Islands. The DoT have taken up the case with the Indian Space Research Organization (ISRO) to waive off the satellite transponder charges for telecom services being provided by BSNL in the area, including ANI and Lakshadweep Islands, which is under consideration of the Department of Space. A proposal is also under

consideration of the Government for providing financial support to BSNL for the reimbursement of satellite bandwidth charges (space segment charges) paid by it to the Antrix Corporation for hiring satellite transponders (both domestic and foreign satellites) for providing telecom services in Andaman and Nicobar Islands. The Committee are of the view that both the Islands are strategically located and there is an urgent imperative to strengthen the telecom network in these two islands for better connectivity. Continuing to provide connectivity through satellite transponders has become unviable due to the high cost of the satellite transponders. The Committee, therefore, recommend that the recommendations given by TRAI for strengthening the telecom connectivity in these two Islands may be finalized at the earliest. The Committee observe that in the long run the two Islands can be served best by providing cable link from the mainland. In this regard, effort should be made by TCIL to ensure that the Detailed Project Reports for Undersea Cable to ANI should be submitted within the specified timeframe, i.e. January, 2015, so that the project takes off at the earliest. The Committee recommend that the best possible means for strengthening telecom connectivity to Lakshadweep Island should also be implemented by the Department keeping in view its strategic locations. The Committee desire that a cost benefit analysis and feasibility study for laying submarine OFC in Lakshadweep Island as suggested by TRAI may be undertaken without delay.

ANURAG SINGH THAKUR
Chairperson
Standing Committee on
Information Technology

New Delhi
16 December, 2014
25 Agrahayana, 1936 (Saka)

Annexure-I

Monthly Progress of the implementation of Defence Network (As on 31.10.2014)

S. No.	Components of the Network	Total sites	Sites Completed	Time by which all Sites are to be completed
1	Infrastructure work	333	239	Nov 2014

Sr. No.	Components of the Network	Sanctioned estimated cost	Scheduled time lines as per cabinet approval		Time Lines as per the Present Progress				
		(Rs crore)	Start of work	Commissioning	Floating of Tender	Purchase Order	Tendered cost (Rs Crore)	Installation Start	Current Status
A	B	C	D	E	F	G	H	I	J

Sr. No.	Components of the Network	Sanctioned estimated cost	Scheduled time lines as per cabinet approval		Time Lines as per the Present Progress				
		(Rs crore)	Start of work	Commissioning	Floating of Tender	Purchase Order	Tendered cost (Rs Crore)	Installation Start	Current Status
A	B	C	D	E	F	G	H	I	J
1	**OF Cable (Tri-services Backbone & Army Access)**	5174	Aug 2012	Jun 2015	21.06.2013 2	Pkg A & B issues in July 2014. Rest issued in Sep 2014.	8678.74	Nov / Dec 2014	Route Survey started in all the packages. QA completed Bulk Production Clearance (BPC) and started Factory Acceptance Test jointly with Army for OFC, PLB Pipes & Accessories.

Sr. No.	Components of the Network	Sanctioned estimated cost	Scheduled time lines as per cabinet approval		Time Lines as per the Present Progress				
		(Rs crore)	Start of work	Commissioning	Floating of Tender	Purchase Order	Tendered cost (Rs Crore)	Installation Start	Current Status
A	B	C	D	E	F	G	H	I	J
2	**OF Cable (Navy Access)**	597	Aug 2012	Jun 2015	29.07.2013 Tender opened on 10/1/14	Nov 2014	Approval of Committee for Teder Evaluation (CET) Report is under process	Dec 2014	CET has completed Financial Evaluation and L1 bidder is M/s.TCIL

Sr. No.	Components of the Network	Sanctioned estimated cost	Scheduled time lines as per cabinet approval		Time Lines as per the Present Progress				
		(Rs crore)	Start of work	Commissioning	Floating of Tender	Purchase Order	Tendered cost (Rs Crore)	Installation Start	Current Status
A	B	C	D	E	F	G	H	I	J
3	**Transmission Equipment (Tri-services Backbone)**	1300	Aug 2012	Jun 2015	20.11.2013	Jan 2015	Tender not yet opened	Jan 2015	Corrigendum has been issued for more clarity on PMA. Next date of hearing 18/11/14. Bid submission extended to 25/11/14.

Sr. No.	Components of the Network	Sanctioned estimated cost	Scheduled time lines as per cabinet approval		Time Lines as per the Present Progress				
		(Rs crore)	Start of work	Commissioning	Floating of Tender	Purchase Order	Tendered cost (Rs Crore)	Installation Start	Current Status
A	B	C	D	E	F	G	H	I	J
4	**IP/Access Network (Navy)**	611	Aug 2012	May 2015	31.01.2014	Jan 2015	Tender not yet opened	Jan 2015	Corrigendum has been issued for more clarity on PMA implementation. Next date of hearing 18/11/14. Bid submission extended to 26/11/14.

Sr. No.	Components of the Network	Sanctioned estimated cost	Scheduled time lines as per cabinet approval		Time Lines as per the Present Progress				
		(Rs crore)	Start of work	Commissioning	Floating of Tender	Purchase Order	Tendered cost (Rs Crore)	Installation Start	Current Status
A	B	C	D	E	F	G	H	I	J
5	**IP/Access Network (Army)**	2300	Aug 2012	Jul 2015	19.11.2013	Jan 2015	Tender not yet opened	Jan 2015	Corrigendum has been issued for more clarity on PMA. Bid submission extended to 24/11/14.
6	**GOFNMS**	1000	Aug 2012	Jul 2015	22.11.2013	Nov 2014	Tender opened on 10.09.14	Dec 2014	Techno-commercial evaluation is under finalization.

Sr. No.	Components of the Network	Sanctioned estimated cost	Scheduled time lines as per cabinet approval		Time Lines as per the Present Progress				
		(Rs crore)	Start of work	Commissioning	Floating of Tender	Purchase Order	Tendered cost (Rs Crore)	Installation Start	Current Status
A	B	C	D	E	F	G	H	I	J
7	**Secrecy Devices**	366	Aug 2012	Jun 2015	To be floated in Oct 2014	Jan 2015	Tender not yet floated.	Jan 2015	Empowered Committee finalized the report of Encryptors Tender.

Sr. No.	Components of the Network	Sanctioned estimated cost	Scheduled time lines as per cabinet approval		Time Lines as per the Present Progress				
		(Rs crore)	Start of work	Commissioning	Floating of Tender	Purchase Order	Tendered cost (Rs Crore)	Installation Start	Current Status
A	B	C	D	E	F	G	H	I	J
8	**Microwave Network**	183	Aug 2012	Jul 2015	To be floated in Oct 2014	Jan 2015	Tender not yet floated	Jan 2015	Empowered Committee finalized the report for microwave Tender. Requirement of M/W Links for IAF included in this tender.

Sr. No.	Components of the Network	Sanctioned estimated cost	Scheduled time lines as per cabinet approval		Time Lines as per the Present Progress				
		(Rs crore)	Start of work	Commissioning	Floating of Tender	Purchase Order	Tendered cost (Rs Crore)	Installation Start	Current Status
A	B	C	D	E	F	G	H	I	J
9	**Satellite Network**	133	Aug 2012	Jul 2015	To be floated in Nov 2014	Jan 2015	Tender not yet floated	Jan 2015	Empowered Committee finalized the report for Satellite Tender.
10	**Unified Network Management System**	1241	Aug 2012	Jun 2015	RFP not yet received from Army				

Annexure-II

UNIVERSAL SERVICE OBLIGATION FUND

OUTCOME BUDGET 2014-15

	CHAPTER OF OUTCOME BUDGET 2014-15					**ANNEXURE-II**			
	Name of the Scheme/Programme	**Objective/Outcome**	**Outlay 2014-15 (Rs. In crores)**			**Quantifiable Deliverables/ Physical Output**	**Projected Outcome**	**Processes/ Timelines**	**Remarks/Risk factors**
	2	**3**	**4**			**5**	**6**	**7**	**8**
			4 (i)	**4(ii)**	**4(iii)**				
S No.			Non Plan Budget	Plan Budget	Complementary Extra-Budgetary Resources				
1	VPT Opex	Operation and maintenance of VPTs		0.01					See Note 1
2	Replacement of MARR VPTs	Replacement of MARR VPTs with reliable technology and maintenance thereof		0.22					See Note 2
3	Provision of RCPs	Installation of Rural Community Phones in villages with population exceeding 2000, without having any PCOs and maintence thereof		0.07					See Note 3

4	VPTs in uncovered villages as per Census 1991	VPTs in uncovered villages as per Census 1991, excluding villages with population less than 100 or lying in Naxalite areas/forests etc.		0.01					See Note 4
5	Rural Household DELs installed between 01/04/02 and 31.03.05	Maintanance of RDELs insalled between 01.04.02 and 31/03/05		0.05					See Note 5
6	RDELs installed between 01.04.05 and 31.03.07 and (extended up to 31.03.10)	Maintanance of RDELs insalled between 01.04.07 and 31.03.2010		2.80					See Note 6
7	Mobile phase-I	Setting up and managing 7353 infrastructure sites and provision of mobile services in rural and remote areas		10.45					Scheme has been closed on 30.11.2013 (see note 7)
8	VPTs in newly identified uncovered inhabited villages as per Census 2001	Installation of VPTs in newly identified villages as per Census 2001		23.28					Rollout of the scheme was not completed within the financial year,extention is being sought for F/Y 2014-15. (see note 8)
9	Solar Mobile charging Facilities	Financial Support for mobile charging stations in 5000 villages through TERI project of Lighting a Billion Lives (LaBL)		0.23					Aggreement expired on April 2012 (See Note 9)
10	Wireline broadband connectivity in rural and remote areas	Total 888832 BB connections and 28672 kiosks		90.30		299049 BB Connection & 14378 kiosls	299049 BB Connection & 14378	Jan-15	Dependent on the demand of the broadband

							kiosls		connectivity in the rural & remote areas (See note - 10)
11	Augmentation, creation & management of OFC Assam service area	OFC network augmentation between SDHQ & DHQ in Aasam		16.44		Complete Assam, 52 OFC Nodes	Complete Assam, 52 OFC Nodes	Dec-14	OFC laying depends on RoW permission from state government (see note -11)
12	National Optical Fiber Network for broadband connectivity to Panchayats (NOFN)	For providing broadband conecitity to 250000 village Gram Panchayats in the country through extending existing optical fiber network		1477.26		To connect 1,00,000 VPs on Fibre with resopective blocks in phase-I	To connect 1,00,000 VPs on Fibre with resopective blocks in phase-I	Mar 15- 200000 GPs	Railtel, BSNL and PGCIL are the 3 CPSUs esecuting the work. The proposed targets are linked with target to be achieved by the respectives CPSUs (see note 12)
13	Sanchar Shakti	For provision of mobile Value Added Services to rural women's SHGs for a period of one year		1.50					See Note 13
15	Scheme Mobile Communications Services in LWE affected Areas	Provision of mobile services in about 2199 locations of LWE affected areas as identified by Ministry of Home Affairs		586.78					Scheme has been approved by the Cabinet on 04.06.2013. BSNL has been nominated to excute the

									project.
16	Scheme for Mobile Services in Uncovered Villages	Provision of mobile services in about 56000 uncovered inhabited villages of the country							Scheme is under consideration of the Government
17	Support for Rural Wireline Household DELs installed prior to 01.04.2002	Ensuring operational sustainabiltity of rualwileline household DELs installed prior to 01.04.2002 in lie of ADC having been phased out		1250.00					A subsidy support of Rs. 1250 Crore to BSNL for the year 2012-13 for sustanability of wire-line connections provided prior to April 2002 is under consideration of the Government.
18	Augmentation, creation & management of OFC network in West Bengal & Sikkim	OFC n/w between SDHQ & DHQ in WB & Sikkim		0.00		NIL	NIL		Scheme yet to be launched
19	Wireless Rural broadband connectivity to rural and remote areas	5.5 lakh villages		0.00		NIL	NIL		Scheme on hold due to conflict with rural roll out obligation of 3G/BWA bidders.
20	Satellite Rural Broadband	600 Satellite BB connections		0.00		NIL	NIL		Scheme yet to be

	Connectivity in rural and remote areas								launched
				3537.00					
		Round Off to		**3537.00**					

1. Subsidy claims are received and disbursed in arrears after completion of the quarter in which the facilities are provided and/or remained operational.
2. The financial outlay figures are estimated and subject to actual disbursement in arrears, based on timely submission of claims by USPs and number of facilities actually provided and/or working.

Notes:

VPT OPEX: Financial outlay has been proposed for settlement of spill over.

2. Financial outlay has been proposed for settlement of spill - over. Scheme has been closed on 30.06.2012. Remaining villages are to covered with VPT facility under Scheme for VPTs in the identified uncovered villages as per Census 2001.
3. Financial outlay has been proposed for settlement of spill - over / adjustments.
4. Scheme has been closed on 09.11.2012. Remaining villages are to covered with VPT facility under Scheme for VPTs in the I dentified uncovered villages as per Census 2001.
5. RDELs installed between 1.4.02 and 31.3.2005 Financial outlay has been proposed for settlement of spill over .
6. RDELs installed from 1/04/05 to 31/03/07 and (extended upto 31-03-2010) Financial outlay has been proposed for settlement of spill over .
7. Mobile Ph-I: Financial outlay has been proposed for settlement of spill over.
8. VPT-II: Financial outlay has been proposed for settlement of spill over. Rollout of the scheme was not completed within the financial year, extension is being sought for F/Y 2014-15.
9. SMCF: Financial outlay has been proposed for settlement of spill over.
10. Wireline Broadband Connectivity in rural and remote areas: An Agreement was entered into with M/s BSNL on 20-01-2009 for provision of Broadband connectivity to individual users and Govt. Institutions in rural and remote areas on wireline media.
11. OFC Assam: Augumentation, creation & management of OFC Network with higher band width to SDHQ/Blocks in Assam.
12 National Optical Fiber Network (NOFN). Plan to connect all the 2,50,000 Gram Panchayats in the country through optical fiber utilizing existing fiber network of PSUs viz. BSNL, RailTel and Power Grid and laying incremental fiber wherever necessary and will be completed in a time period of two years.
13. Sanchar Shakti : To facilitate women's Self Help Groups (SHGs) access to ICT enabled services. Financial support from USO Fund is envisaged to be provided towards mobile VAS subscriptions for SHGs.

APPENDIX-I

MINUTES OF THE SECOND SITTING OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2014-15) HELD ON 29TH SEPTEMBER, 2014

The Committee sat on Monday, the 29th September, 2014 from 1100 hours to 1335 hours in Committee Room '53', First Floor, Parliament House, New Delhi.

PRESENT

Shri Anurag Singh Thakur- Chairperson

MEMBERS

Lok Sabha

2. Shri Prasun Banerjee
3. Dr. Sunil Baliram Gaikwad
4. Dr. K.C. Patel
5. Shri Hemant Tukaram Godse
6. Dr. Anupam Hazra
7. Shri Harinder Singh Khalsa
8. Shri Keshav Prasad Maurya
9. Shri Abhishek Singh

Rajya Sabha

10. Shri Salim Ansari
11. Shri Santiuse Kujur
12. Mahant Shambhuprasadji Tundiya

SECRETARIAT

1.	Shri J.M. Baisakh	-	Director
2.	Shri A.K. Garg	-	Additional Director

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

	Name	Designation
1.	Shri Rakesh Garg	Secretary
2.	Smt. Annie Moraes	Member
3.	Shri A.K. Purwar	Advisor
4.	Ms. Rita Teotia	Additional Secretary
5.	Shri V. Umashankar	Joint Secretary (T)
6.	Shri Shashi Ranjan Kumar	Joint Secretary (A)
7.	Shri R.J.S. Kushvaha	Wireless Advisor
8.	Shri A.K. Mittal	Sr. DDG (TEC)
9.	Shri S.S. Sirohi	Sr. DDG (TERM)
10.	Shri P.K. Mittal	DDG(ASI)
11.	Shri Anupam Shrivastava	Director (CM), BSNL
12.	Shri P.K. Purwar	Director, MTNL
13.	Shri A.K. Bhargava	CMD, BBNL
14.	Shri K.L. Dhingra	CMD, ITI
15.	Shri Vimal Wakhlu	CMD, TCIL
16.	Shri Vipin Tyagi	Executive Director, C-DoT
17.	Shri S.K. Gupta	Pr. Advisor, TRAI

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee. Thereafter, the representatives of the Ministry of Communications and Information Technology (Department of Telecommunications) were called in and the Committee took their evidence on issues relating to the Demands for Grants of the Department for the year 2014-15.

3. Before tendering evidence, the Department of Telecommunications made a powerpoint presentation covering various issues relating to the functions and responsibilities of the Department, the targets for the Twelfth Plan and achievements during the first two years of the Twelfth Plan, growth of subscriber base and tele-density,

financial performance under plan and Non-Plan heads during the last four years, status of implementation of the schemes under USOF, Network for spectrum, C-DoT projects supported under GBS and IEBR and Wireless Monitoring Organization, etc.

4. The Members then sought clarification on various issues to which the representatives of the Department responded. The Chairperson directed the Department to furnish written information with regard to issues on which information was not readily available.

5. The Chairperson, then, thanked the representatives of the Department of Telecommunications for deposing before the Committee.

The witnesses then withdrew.

Verbatim Proceedings of the sitting have been kept on record.

The Committee, then, adjourned.

APPENDIX-II

STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2014-15)

MINUTES OF THE TENTH SITTING OF THE COMMITTEE

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The Committee sat on Tuesday, the 18th December, 2014 from 1530 hours to 1620 hours in Committee Room 'C', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Anurag Singh Thakur– Chairperson

MEMBERS

Lok Sabha

2. Shri L.K. Advani
3. Dr. Sunil Baliram Gaikwad
4. Dr. K.C. Patel
5. Shri Hemant Tukaram Godse
6. Dr. J. Jayavardhan
7. Shri Virender Kashyap
8. Smt. Hema Malini
9. Shri Keshav Prasad Maurya
10. Shri Paresh Rawal
11. Dr. (Smt.) Bhartiben Dhirubhai Shiyal
12. Smt. R. Vanaroja

Rajya Sabha

13. Shri Vijay Jawaharlal Darda
14. Shri Santiuse Kujur
15. Dr. K.V.P. Ramachandra Rao

Secretariat

1.	Shri K. Vijayakrishnan	-	Additional Secretary
2.	Shri J.M. Baisakh	-	Director
3.	Shri Ajay Kumar Garg	-	Additional Director
4.	Dr. Sagarika Dash	-	Deputy Secretary
5.	Shri Shangrieso Zimik	-	Under Secretary

2. The Sitting of the Committee to consider and adopt draft Reports on Demands for Grants (2014-15) of the ministries/Departments under their jurisdiction was scheduled to be held at 1500 hours. However, due to some urgent business in the house requiring the presence of Members, the Chairperson directed that the meeting may be postponed by 30 minutes. The Committee reassembled at 1530 hours. At the outset, the Chairperson gave a broad overview of the important observations/Recommendations contained in the Reports.

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

(i) *****……..*****……*****

(ii) *****……..*****……*****

(iii) Third Report on Demands for Grants (2014-15) of the Ministry of Communications and Information Technology (Department of Telecommunications); and

(iv) *****……..*****……*****

4. The Committee thereafter adopted the above Reports without any modification.

5. The Committee, then, authorized the Chairperson to finalize the draft Reports arising out of factual verification, if any, and present the Reports to the House during the current session of Parliament.

The Committee, then, adjourned

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xxxx Matters not related to the Report.