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**STANDING COMMITTEE ON
INFORMATION TECHNOLOGY
(2005-2006)**

FOURTEENTH LOK SABHA

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

*[Action taken by Government on the Recommendations/Observations of the
Committee contained in their Seventeenth Report (Fourteenth Lok Sabha)
on Demands for Grants (2005-2006)]*

TWENTY-SEVENTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2005/Agrahayana, 1927 (Saka)

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Presented to Lok Sabha on 23.12.2005

Laid in Rajya Sabha on 23.12.2005



LOK SABHA SECRETARIAT
NEW DELHI

December, 2005/Agrahayana, 1927 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON
INFORMATION TECHNOLOGY (2005-2006)

Shri M.M. Pallam Raju — *Chairman*

MEMBERS

Lok Sabha

2. Shri Nikhil Kumar Chaudhary
3. Shri Mani Cherenamei
4. Shri Sanjay Shamrao Dhotre
5. Kunwar Jitin Prasad
6. Shri Kailash Joshi
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30. Shri Motiur Rahman
31. Shri Ekanath K. Thakur

SECRETARIAT

- | | | |
|----------------------------|---|------------------------|
| 1. Shri John Joseph | — | <i>Secretary</i> |
| 2. Shri P. Sreedharan | — | <i>Joint Secretary</i> |
| 3. Shri Raj Shekhar Sharma | — | <i>Director</i> |
| 4. Shri K.L. Arora | — | <i>Under Secretary</i> |

*Nominated *w.e.f.* 27.9.2005.

INTRODUCTION

I, the Chairman of the Standing Committee on Information Technology (2005-06) having been authorised by the Committee to submit the Report on their behalf, present this Twenty-Seventh Report on Action Taken by Government on the Recommendations/Observations of the Committee contained in their Seventeenth Report (Fourteenth Lok Sabha) on Demands for Grants (2005-06) relating to the Ministry of Communication and Information Technology (Department of Telecommunications).

2. The Seventeenth Report was presented to the Lok Sabha and laid in Rajya Sabha on 21.04.2005. The Department furnished Action Taken Notes on the Recommendations/Observations contained in the Report on 30.08.2005.

3. The Report was considered and adopted by the Committee at their sitting held on 20.12.2005.

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

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

NEW DELHI;
21 December, 2005
30 Agrahayana, 1927 (Saka)

M.M. PALLAM RAJU,
Chairman,
Standing Committee on
Information Technology.

CHAPTER I

REPORT

This Report of the Standing Committee on Information Technology deals with action taken by Government on the Recommendations/Observations of the Committee contained in their Seventeenth Report (Fourteenth Lok Sabha) on 'Demands for Grants (2005-2006)' pertaining to the Department of Telecommunications (DoT).

2. The Seventeenth Report was presented to Lok Sabha on 21st, April, 2005 and was also laid on the Table of Rajya Sahba on the same day. It contained 50 Recommendations/Observations.

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

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

Para Nos:—4, 6, 9, 14, 15, 17-22, 24-26, 28, 29, 33, 34, 41, 42, 45, 48 & 49

(Total: 23

Chapter-II)

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

Para Nos:—1, 5, 7, 16, 23, 27, 30, 31, 32, 36, 38, 39, 40, 46, 47 & 50

(Total: 16

Chapter-III)

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

Para Nos:—2, 35, 37, 43 & 44

(Total: 5

Chapter-IV)

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

Para Nos:—3, 8, 10-13

(Total: 6

Chapter-V)

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

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

UASL-Provision of RCPs/PTICs

Recommendation (Para No. 2)

6. Recognising the imperative need for better coverage of rural areas by the private operators consequent upon their migration to Unified Access Services License (UASL), the Committee in their Seventeenth Report observed/recommended as follows:

“The Committee recognise the contribution of the Private Operators in increasing the tele-density of the country, particularly in urban areas. They also feel that the Private operators could have played a more active role in increasing the coverage in rural areas. The Committee would like to remind the Department that when UASL was not in existence, there was a roll out obligation for the Private Operators to cover the rural areas. The Private operators did not honour the contractual obligations and their performance in the rural areas was dismal. This had been highlighted by this Committee in their past several Reports. Now, consequent upon the private operators’ migration to UASL, coverage of rural areas in optional. In order to avoid recurrence of inaction on the part of Private operators so far as rural telephony is concerned, the Committee would like the Department to take adequate measures to ensure that the Private operators provide the RCPs/PTICs in accordance with their contractual obligation. The Department should take stringent measures in case of any violation of that obligation.”

7. In their Action Taken Notes, the Department have stated as under:

“Rural Community Phones, (RCPs) are to be provided in 46,253 villages where the population exceeds 2000 and there is no public

telephone facility (PCO) other than a Village Public Telephone (VPT). The Agreements were signed on 30.9.2004 with the successful bidders M/s BSNL and M/s Reliance Infocomm Limited (RIL) to provide 24,794 and 21,459 numbers of RCPs respectively. There, RCPs are to be provided within three years of the signing of the Agreements. The roll-out period has been specified as 20% of the total RCPs to be provided in the first year, 40% to be provided in second and balance 40% in third year of the Agreement. All the RCPs are likely to be provided in these villages by September, 2007.

A total number of 7,368 RCPs have been provided up to 31.5.2005 out of 9250 RCPs to be provided by the end of September, 2005. M/s BSNL has provided 6605 RCPs whereas M/s RIL has provided 763 RCPs so far. The monitoring shall be carried out for both RCPs and PTICs as per the Agreement conditions."

8. The Committee take note of the efforts being made by DoT to enforce rollout obligations of Rural Community Phones (RCPs) in villages by BSNL and private operators. In pursuance of this objective an agreement had been signed on 30-09-2004 with the successful bidders i.e. BSNL and a private operator wherein they agreed to provide 24794 and 21459 numbers of RCPs respectively by September, 2007 through a rollout plan of providing 20% in the first year 40% in the second year and 40% in the third year of the agreement. The Committee further note that up to 31 May, 2005 BSNL has provided 6605 RCPs out of a total of 7386 RCPs whereas the private operators has provided only 763 RCPs. The Committee observe that the ratio of providing RCPs between BSNL and the private operators is 90:10. Further whereas the private operator was to provide 20% of 21459 RCPs by September, 2005 i.e. 4290 approximately, it has provided only 763 RCPs. The Committee are pained to note that the Department do not seem to be serious in implementing the contractual obligations signed by the private operator for providing RCPs. The Committee apprehend that whereas BSNL may be able to meet their target, the private operator will be nowhere near it by September, 2007. In such circumstances, where facts and figures speak clearly of the reality and with a view to preventing recurrence of inaction on the part of the private operators as was the case in pre-UASL era, the Committee caution the Department to take corrective measures immediately and not wait for three years to elapse. The Committee, therefore, desire and reiterate that their recommendation to take stringent measures in case of any violation of fulfilling the rural obligation may be examined and implemented in full earnest. The Committee would like to be apprised of the outcome.

BSNL-Achievement of Targets

Recommendation (Para No. 35)

9. Taking into account the physical target set for BSNL for the year 2004-2005 and the shortfalls in achievement, the Committee in their Seventeenth Report observed/recommended as follows:

“The Committee note that for the year 2004-2005, a target for 130 lakh lines of Switching Capacity, 100 lakh Direct Exchange Lines (DELs), 800 Kilo Circuit of TAX capacity, 18000 Route Kms of Optical Fibre and 5980 nos. of Village Public Telephones (VPTs) was fixed for BSNL whereas the achievement as on 28 February, 2005 has been 45.42 lakh lines of Switching Capacity, 43.61 lakh Direct Exchange Lines (DELs), 437 Kilo Circuit of TAX, 12,477 Kms of Optical Fibre Cable and 6640 VPTs. The Committee are informed that by the year end i.e. 31 March, 2005, shortfalls are anticipated in Direct Exchange Lines and Switching Capacity due to large scale disconnections in fixed line to the tune of 31.58 lakh and non-availability of Fixed Wireless Terminals. Similar shortfalls are anticipated in North-East Region and Tribal Sub-Plan (TSP) areas due to the same reasons. The Committee are of the view that there should be prudent planning in getting the equipment in time, otherwise schemes are bound to suffer. Similarly, in order to arrest disconnections/surrender of fixed line telephones, BSNL should improve its services and handle customer grievances more efficiently apart from offering value added services on land lines. Adequate attention in this regard has also to be paid towards North-East Region and TSP areas, they being the special focus area in the Tenth Plan.”

10. In their Action Taken Notes, the Department have stated as under:

“BSNL Achievement of Targets for the year 2004-05:

- Target of 27.15 lakhs (3.15 lakhs from wired lines and 24.00 lakhs from WLL) of Switching Capacity was fixed for the year 2004-05, whereas 12.6 lakhs (7.94 from wired lines and 4.66 lakhs from WLL) were achieved during 2004-05.
- (a) Shortfall in WLL is due to
- (i) Delay in commissioning of 10.26 lakhs MSC based CDMA WLL is due to delay in validation and supply of the equipment.

- (ii) Tender for procurement of 10.5 lakhs WLL equipment is under evaluation.
- (iii) 4.5 lakhs of WLL CDMA equipments ordered on M/s ITI is expected to be supplied during the first quarter of 2005-06.
 - Target of 30.00 Lakhs (7.50 lakhs from wired lines and 22.50 lakhs from WLL) of DELs were fixed for the year 2004-05, whereas 10.93 lakh (4.24 lakhs from wired lines and 6.69 lakhs from WLL) were achieved during 2004-05.
- (a) Shortfall in Landlines is due to large scale disconnection of DELs in major Circles (about 34.17 lakhs DELs got disconnected).
- (b) Shortfall in WLL is due to
 - (i) Non-availability of WLL FWT terminals which is mainly due to court case in procurement of FWT equipment.
 - (ii) Delay in commissioning of 10.26 lakhs MSC based CDMA WLL is due to delay in validation and supply of the equipment.
 - In order to ensure that the targets for 2005-06 are met, the following actions are taken:
 - (i) MSC based CDMA WLL equipment supplied during 04-05 is under various stages of installation.
 - (ii) 4.5 lakhs of WLL CDMA equipment ordered on M/s ITI and is expected to be supplied during the first quarter of 2005-06.
 - (iii) In addition, tender for procurement of 10.50 lakhs of equipment is already under process for which financial bid has been opened on 11.05.05.
 - (iv) 4.5 lakhs of FWTs on PSU (ITI) and 10.5 lakhs against tender quota have been ordered during 2004-05 and supply is expected by the second quarter of 2005-06.
 - (v) Case for procurement of 12 lakhs of IFWT is in process. Against this, APO issued for 3.6 lakhs of IFWT against PSU reserve quota on M/s ITI.
 - (vi) Case for procurement of 5.13 lakh lines add on order on 10.26 lakh lines of MSC based CDMA WLL is in progress.

The target fixed *vis-a-vis* the achievements in respect of OFC and TAX for 2004-05 are as given below:

Media	Target	Achievement
OFC	18000 R. Km	24465 R. Km
TAX	800 Kilo Circuits	802 Kilo Circuits

Thus, there was no shortfall in respect of execution of cable projects and installation of Trunk Automatic Exchanges (TAXs).

Regarding NE Region and Tribal Sub-Plan Areas, there was a shortfall. The details are given below:

Media OFC	Target	Achievement
Tribal Sub Plan Area	2422 R Km	1912 R Km
N.E. Region	2640 R Km	2001 R Km

The main reason for shortfall in North East Region and Tribal Sub-Plan Areas are difficult working conditions and insurgency.

BSNL has not only achieved the VPT targets set for 2004-05 including that of NE region but has exceeded the same and thus has provided 9301 VPTs against the set target of 5980 during the year 2004-05.

BSNL is entering into revenue sharing agreements with various content providing private companies for offering Voice based Value Added Services to its fixed line telephone subscribers. Agreements have been signed for providing Voice based Value Added Services on IVR platform with 9 service providers.

In addition to this, BSNL Management has recently approved revenue sharing on the content based services provided through the IN platform (Universal Access Number), which will facilitate a single number on PSTN, as well as on the GSM Network of BSNL."

11. The Committee regret to note that BSNL were not able to achieve the targets of landlines and WLL earmarked for the year 2004-2005 in general areas due to the delay in validation and supply of equipment, non-finalisation of the tender for procurement of equipment, non-availability of Fixed Wireless Terminals (FWTs) etc. Similarly, the targets set for Optical Fibre Cables (OFC) in the North-

East region and Tribal Sub Plan (TSP) areas, during 2004-2005 could not be achieved due to the difficult working conditions and insurgency. The Committee have always been emphatic that procedural delays like non-supply of equipment, non-finalisation of tender in time etc. should be avoided to the best possible extent by resorting to prudent planning. Similarly, although incidents of insurgency are unforeseen which unfortunately stalls progress, difficult working conditions can be overcome through proper planning and to some extent by recruiting and posting local people in the North-East and TSP areas. The Committee appreciate to note that BSNL has exceeded their targets in setting up VPTs in 2004-2005 and that a number of measures are being taken by BSNL to overcome the delay in supply of equipment and finalisation of tenders. They feel that such measures need to be intensified further, so that the targets in different schemes earmarked for the year 2005-2006 are optimally achieved in the general, North-East and TSP areas.

BSNL-Standardisation of Services

Recommendation (Para No. 36)

12. Considering the reach of BSNL and the patronage it gets from the Government, the Committee, in their earlier Report recommended as follows:

“The Committee feel that it is high time BSNL provided the benchmark for all services considering its potential for penetration and the support it gets from the Government besides the need for the Company to prevent cartelization and monopoly.”

13. The Department in their Action Taken Notes have stated as under:

1. “BSNL has signed on MOU with DOT wherein BSNL has proposed to add 75 Lakh lines in the year 2005-06 alongwith 4.5 lakh Broadband connections and 8 lakh Internet Connections.
2. However, to realise the vision of 250 Million telephone connections in the country by Dec. 2007, BSNL has set for itself an internal target of 24.7 million telephone connections for the year 2005-06.
3. BSNL has emerged as a complete telecom solution provider. To this end BSNL is offering all types of voice, data and video services to its customers. For the year 2005-06, BSNL has set for itself a target of 1.0 Million Broadband connections and 1.1 million Internet connections.”

14. The Committee hope that the roadmap for achieving the desirable benchmark will be translated into positive achievements so that BSNL is able to provide all types of voice, data and video services.

BSNL-Outstanding Telephone Bill Arrears

Recommendation (Para No. 37)

15. Taking note of the huge outstanding telephone bill arrears in BSNL and the inadequate and ineffective measures taken by the company to recover the same, the Committee, in their Seventeenth Report observed/recommended as follows:

“Of late, the Committee have been expressing their concern over BSNL’s outstanding arrears of telephone bills. As on 31 December, 2004 the arrears stand at a staggering Rs. 3,639.58 crore out of which Rs. 3,243.09 crore pertain to basic services and Rs. 396.49 crore to mobile services. In basic services, the outstanding arrears in some Circles like Uttar Pradesh (East), Andhra Pradesh, Maharashtra, North-East-II, Calcutta, Bihar, Punjab, Gujarat, Karnataka, Madhya Pradesh etc. are quite alarming. Keeping in view the mounting arrears over the years, the Committee feel that although BSNL has stated to have been taking a number of measures to recover the outstanding dues, these measures have provide to be quite inadequate and ineffective. In view of the fact that BSNL, at its present financial health can ill-afford to prolong the recovery or write off such a huge amount, the Committee strongly urge the Company to explore other prudent measures to recover the dues.”

16. The Department in their Action Taken Notes have stated as under:

“1. Basic services

In this regard it is submitted that the outstanding dues are not for a particular year but have accumulated over number of years.

A comparative study indicates that the cumulative outstanding (over 3 Months) w.r.t. cumulative ABF from 1990-91 to 2004-05 is less than 2% (1.55%) which is a remarkable achievement by any means keeping in view the size and operations of BSNL which are spread throughout the country.

The detailed year wise break up of the outstanding of Rs. 3243.09 crores as on 31.12.04 is as under:

1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
206.84	72.72	85.96	110.92	148.40	184.47
2000-01	2001-02	2002-03	2003-04	2004-05	
308.18	412.13	439.45	724.17	549.85	

An analysis of the same indicates that it is not a drastic accumulation over a short period of time but a gradual accumulation of outstanding dues over a number of years due to non-payment of dues by some customers.

However, BSNL's 6th month Collection Efficiency has improved to 96.30% against 95.12% of last year and the outstanding dues are less than 2% of its cumulative billing as pointed out in Para-2 above.

Moreover, all out efforts are being made to reduce outstanding dues. Following measures have been introduced for reduction of outstanding dues:

1. Every year targets for liquidation of outstanding dues for different billing periods for each Circle/Metro District are fixed and reviewed regularly.
2. Circles have been addressed to ensure timely disconnection of telephones if bills remain unpaid beyond pay-by-date. Thirty five (35) days time limit for disconnection of telephones due to non payment, has been fixed.
3. Circles are addressed periodically to make all out efforts to get the outstanding dues liquidated. The senior officers closely monitor the progress in this regard.
4. As soon as the phone is disconnected for non-payment of telephone bills, after waiting for 3 months, the case is finalized. If the outstanding can be adjusted against Deposit, it is adjusted & the balance deposit is refunded to the customer. If outstanding is more than the deposit; the balance outstanding amount after adjusting deposit is transferred to pursuit cell for recovery. Legal notice is given to the defaulters and Recovery Cell etc. pursue the case.
5. Instructions have been issued to the circles to hold meeting of liquidation boards and High Power Committees on time and give suitable directions for recovery.
6. Civil suits are also being filed against defaulters, if outstanding amount is more than Rs. 25,000.

7. The State Governments have been requested to amend the Land Revenue Act so that the telephone bill defaulter is also treated as land revenue defaulter.
8. BSNL Headquarters has authorized Heads of Circles to appoint Private Recovery Agents etc. on commission basis to assist BSNL in recovery. State Governments have also been taken into confidence to assist BSNL in recovery of outstanding dues.

As a result of these measures the outstanding dues which stood at Rs. 3243.09 crores as on 31.12.04 have been reduced to Rs. 3089.11 crores as on 31.03.05.

2. Mobile Services

The following measures have been proposed to recover the outstanding dues in mobile services:

1. Private Recovery Agents have been appointed on commission basis as in the case of basic services.
2. The services of the State Government Departments *viz.* Police, Revenue are being utilized.
3. Legal suits against the defaulters have been filed and are periodically reviewed.
4. Write-off policy is under finalisation.

Further to the above the following action is taken to curb the increase in outstanding:

1. Address verification of the customers is being ensured.
2. ISD services are provided after proper verification of the details about the applicant with the personal approval of the Head of the SSA.
3. The threshold monitoring mechanism has been put in place through which usage of the customers is closely monitored. Whenever a customer exceeds the prescribed threshold fixed for him, interim bills are issued and their payment watched. In case of non-payment, services will be withdrawn immediately.
4. SMS is issued on the 18th day from date of issue of bill to the customers if the payment is not received by then.
5. Time schedule for disconnection of outgoing and incoming facility has been prescribed as below:

Disconnection of Outgoing facility	21st day from the date of issue of bill
Disconnection of Incoming facility	26th day from the date of issue of bill

6. Circle-wise target for liquidation of outstanding dues has been prescribed.

All out efforts are being made to recover heavy outstanding even by resorting to the adjustment of outstanding bills of defaulting customers of mobile services against the available deposits with his basic service connection.”

17. The Committee are aware that the outstanding telephone bill arrears which stood at a staggering Rs. 3,639.58 crore (Rs. 3,243.09 crore for landline services and Rs. 396.49 crore for mobile services) as on 31 December, 2004, were accumulated over a number of years. However, they are not satisfied with the results achieved in recovering the outstanding dues. The fact that the outstanding arrears still hovered around Rs. 3089.11 crore as on 31 March, 2005 would rather reiterate the Committee’s apprehension expressed in their earlier Report about the system of recovery in the BSNL. The Committee, therefore, reiterate that the recovery system resorted to by the Company should be further strengthened and made more effective.

MTNL—Outstanding Telephone Bill Arrears

Recommendation (Para No. 43 & 44)

18. Taking into consideration the mounting telephone bill arrears of MTNL and poor recovery, the Committee in their earlier Report observed and recommended as follows:

“The Committee are informed that in a period of 19 years MTNL has accumulated arrears of Rs. 1,200 crore. Out of Rs. 1200 crore, Rs. 700 crore are more than a year old. As for the mobile services the arrears are to the tune of Rs. 112 crore out of which Rs. 80 crore is more than two years old. For the last one year the figure is about Rs. 32 crore, out of which Rs. 15 crore is less than three months old. The Committee have also been informed that MTNL has booked agents to recover old dues and they pay 20% commission to these agents for whatever recoveries they make incidentally, these agents have not proved to be very successful in effecting the recoveries. The Committee are further informed that various measures are being taken by them to avoid having larger defaulters in the future. One such measure is disconnection, wherein, the amount of arrears is not allowed to mount up due to disconnection. MTNL’s fear in disconnection is that the consumer is free to move to other operators which is a loss to MTNL. The

Committee note that in some cases files of defaulters are missing and therefore due to lack of details the amount could not be recovered. The Committee are of the opinion that the appointment of agents has not proven to be a very effective method of recovering amounts. Not letting the arrears amount go beyond a certain limit is the correct step. The Company should have an in-built system of recovery based on sound principles.

The Committee are aware that in any business there would be arrears but they feel that the efforts for recovering the arrears should be sincere and focused. The Committee have a feeling that the Company is not serious in the recoveries and therefore, it has now mounted upto Rs. 1,200 crore for landline connections and another Rs. 112 crore in the mobile services. In this context, the Committee disapprove CMD MTNL's statement that the outstanding arrear is a very small amount. On the contrary, it is a very large amount and therefore, the Committee strongly recommend that more concerted, targeted and focused efforts should be put in by MTNL to recover these amounts. The Committee hope that a better performance will be shown in this regard next year."

19. In their Action Taken Notes, the Department have stated as under:

"The accumulated arrears of Rs. 1200 cr. pertain to a total period of 19 years of which more than Rs. 500 cr. is over 5 years old. The total revenue booked for the whole period worked out to about Rs. 65,000 cr. As regards the arrears relating to mobile services, the main reason for accumulation is because of billing problems at the initial stage. However at the end of March 05, due to vigorous efforts, the total arrear for fixed and WLL connections have come down from Rs. 1224 cr. to Rs. 1163 cr. *i.e.* about Rs. 61 cr. recovered during the last one month. Efforts are being continued to reduce the outstanding further. MTNL has stated that no file of defaulters is missing and efforts are on to recover the outstanding from all defaulters. As advised by the Standing Committee, every effort is being made not to let the arrears amount go beyond a permissible limit. Though there is the risk that consumers may go to other operators, MTNL is disconnecting many telephones to realize outstanding dues.

While the accumulated outstanding amount of Rs. 1200 cr. includes very old outstanding which is more difficult to recover, all efforts are being made to recover the outstanding. Due to regular pursuit of outstanding, the collections efficiency of the current billing is about 95%, inspite of a very competitive environment in

which customers can easily obtain alternate connection from competitors. As recommended by the Standing Committee, extra efforts to recover the arrears is being undertaken to reduce the outstanding further."

20. The Committee note that in pursuance of their recommendations, MTNL has taken a number of measures to recover the outstanding telephone bill arrears pertaining to both landline and mobile services. As a result of such efforts, according to MTNL, the company was able to recover Rs. 61 crore in one month *i.e.* February-March, 2005. The Committee further note that the outstanding telephone bill arrears in respect of fixed and WLL still stand at Rs. 1,163 crore and that MTNL are making every effort not to let the arrears go beyond a permissible limit. The Committee cannot remain satisfied with this. They desire that concrete suggestions of the company and detailed action plan of the department to recover the outstanding dues should be furnished to them. The Committee also recommend that an imaginative approach should be adopted to deal with the whole issue.

Cold Calls

Recommendation (Para No. 50)

21. Taking into account the intrusion into the privacy of the citizens due to unsolicited telephone calls, the Committee in their Seventeenth Report observed and recommended as follows:

"The Committee observe with disdain the wide ranging press coverage regarding unsolicited calls to mobile telephone users from multiple vendors including financial institutions, cellular operators etc. offering credit cards insurance policies, auto finance, mobile connections etc. This seeks not only to intrude the privacy of citizens but also cause constant disturbance. The Committee, therefore, desire that the Government should explore the feasibility of enacting an appropriate law, scheme or regulation to protect mobile phone users from this avoidable harassment."

22. In their Action Taken Notes, the Department have stated as follows:

"Legal opinion is sought for."

23. The Committee desire that the matter may be pursued with the authorities concerned and the decision be expedited thereon. The Committee would like to be apprised of the position.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation/Observation (Para No. 4)

The Committee note that there is a proposal to upgrade any public telephone in all the villages with a population of more than 2000. It will be taken up based on the experience of the Pilot Project which intends to cover only 2000 villages at the first instance. The Committee feel that it is a step in the right direction to provide quality service in rural areas and also recommend that along with upgradation of the Public Telephone, their upkeep and proper maintenance should also be given top priority.

Action Taken by Government

A draft tender was placed on DOT website for inviting comments and suggestions from the interested parties for a pilot project for the installation of 200 Public Tele Information Centres (PTICs) and High Speed PTICs (HPTICs) for providing shared voice and data access. The comments have since been received and are being incorporated in that final tender document. The agreement conditions are devised so that the proper upkeep and maintenance of these PTICs/HPTICs is taken care of.

Considering the requirement to involve outside agencies by the Service Providers for running and maintaining the proposed kiosks, development of content and identification of sites for a viable business proposition, a longer lead time is proposed to be given for the submission of bids for PTICs and HPTICs.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 6)

Keeping in view the above stated position and the fact that all the allocations made to the Fund since 2002-2003 have been adequately and fully utilized, the Committee recommend that the DoT should take up the matter of timely release of funds to USOF at the

appropriate forum. This would in turn help provision of adequate and quality telecom services in the rural areas.

Action Taken by Government

After follow up with the Ministry of Finance the allocation of funds during FY 2004-05 has increased from the initial allotment of Rs. 200 crore Rs. 1314.58 crore. During current financial year (2005-06) an amount Rs. 1200 crore has been allocated to USOF. Ministry of Finance have been requested to enhance the allocation of funds from Rs. 1200 crore to Rs. 5000 crore. The matter has been taken up at the highest level with the Ministry of Finance. It is understood that Ministry of Finance would be in agreeable for enhancement at the RE stage depending on latest projection.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 9)

The Committee note that in order to ensure proper quality of service and maintenance of various records, conditions exist in the Agreements made with the Universal Service Providers (USPs) which provide for deductions in subsidies, if the facility is non-functional on account of faults or disconnected for non-payment or does not record any calls over a specified period. The Committee also note that the Disbursing Officers and staff from USF Headquarters have been authorized to verify and physically inspect the facilities provided by the USPs. As the prime concern is to ensure that funds disbursed towards provision of services covered under USO are effectively utilized for the specific purposes for which they are meant and services are available to the users as intended, the Committee desire that there should not be any let up in enforcing the above mentioned measure for the benefit of rural areas.

Action Taken by Government

The measures provided under various agreements to ensure provision of proper quality of service are being observed through verification and physical inspections, along with appropriate action in this regard.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 14)

The Committee feel that irrespective of whether merger takes place or not, the focus and concentration of both BSNL and MTNL should be on synergy between both the organizations, and, as far as the consumer is concerned, the operation should be seamless and efficient. In the eventuality of a merger, the Committee feel that care should be taken to ensure that the value of the unified entity remains high.

Action Taken by Government

The recommendations of the Standing Committee are respectfully noted and will be kept in view.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Telecom Engineering Centre (TEC)

Recommendation/Observation (Para No. 15)

The TEC plays a very vital and basic function of ensuring the quality and performance of products offered by multiple suppliers to DoT. In order to ensure that the quality of services offered by BSNL and MTNL remain high, the engineering capabilities of TEC have to be substantially strengthened.

Action Taken by Government

Department of Telecom appreciates the need to ensure the skill development of engineers in TEC. A World Bank Technical Assistance project for TEC has been completed successfully, in December 2004. The objective of the project was to strengthen the institutional capabilities to set technical standards in multi operator environment in new telecommunication technology. Following is the figure for the trainings and foreign seminars attended by TEC officers, under this project:

No. of trainings	:	9
No. of participants	:	38
No. of seminars/meetings	:	25
No. of participants	:	31

A similar Technical Assistance project is under further negotiation with the World Bank. This project will also include building of institutional capabilities for TEC.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 17)

The Committee observe with great concern that the physical targets for the Annual Plan 2005-2006 have not been set for TEC as late as March, 2005 whereas a provision of Rs. 1.13 crore has been budgeted for the year. Allocation of funds without a target is also, in the opinion of the Committee, bad budgeting and may lead to savings at the end of the financial year 2005-2006. The Committee stress that the Department should expedite fixation of targets so that TEC, which has been engaged in important activities like providing Engineering and technical support to DoT, promoting standards, validating and testing of the products, equipment, system, services etc. is able to fruitfully utilize the earmarked amount.

Action Taken by Government

The physical targets of TEC are in terms of development of Generic Requirements (GRs) and Interface Requirement (IRs). These targets have been finalized and released at the end of March 2005.

The budgeted amount of Rs. 1.13 Crore has been asked for the following projects, action on which is underway:

- (i) Rs. 70.34 lakh for procurement of Intranet for TEC.
- (ii) Rs. 0.81 lakh for procurement of Structural Analysis System for tower.
- (iii) Rs. 30.52 lakh for NGN Test Bed and
- (iv) Rs. 11.50 lakh for study performance such as data rate, QoS, range coverage of CDMA 2000 1x etc.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 18)

Wireless Planning and Coordination Wing (WPC)

The Committee recognise that WPC plays a very critical role in optimising the utilisation of scarce and valuable resource *i.e.* the Spectrum. The role of WPC is vital because as technologies evolved, there will be increasing pressure towards the efficient usage of bandwidth caused due to demand for multiple services and multiple service providers. The Committee recommend that the WPC gear itself well for the future.

Action Taken by Government

WPC Wing is implementing a Project "National Radio Spectrum Management and Monitoring System" which includes Automated Radio Spectrum Management. This will result in more effective and efficient frequency assignment, wireless licensing and radio monitoring progresses. It would be possible to locate unused/vacant spectrum more effectively through automated data management and radio monitoring of spectrum, for making larger number of frequency assignments with faster response time. This will help in optimal utilisation to a greater extent of Radio Spectrum which is a scarce natural resource.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 19)

The Committee note that during the years 2002-2003 to 2004-2005 a sum of Rs. 163.62 crore was allotted to WPC at the RE stage for implementation of the project 'National Radio Spectrum Management and Monitoring'. Out of this amount, the World Bank component during the above years was Rs. 110.18 crore. But as against the allocation of Rs. 163.62 crore, the actual expenditure has been Rs. 113.54 crore only. The year-wise percentage of expenditure is 42.02, 89.67 and 15.80 respectively. The Committee have been informed that the low utilisation of funds have been due to non-completion of the job in time by the contractors in addition to the complex nature of the project which required two stage bidding process, protracted negotiations etc. Further, some issues namely performance of V/UHG mobile monitoring system, design of SHF mobile monitoring system and Fixed Satellite Monitoring Facility are still unresolved. The Committee observe that liquidated damages are proposed to be imposed upon the defaulting

contractors as per the contract procedure. The Department is also in the process of finalizing the unresolved issues.

Action Taken by Government

For settling three unresolved issues namely V/UHF mobile system, SHF mobile and SHF fixed facilities detailed discussions are held with contractors (M/s Thales and its assignee M/s HFCL). The performance issue of V/UHF mobile system has almost been resolved, however, for resolving design of SHF fixed and mobile systems negotiations are held with the contractors.

Liquidated damages have been imposed as per contract.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 20)

The Committee understand that all precautions have to be taken to ensure the success of a highly complex and unique project. It is, therefore, imperative that the Department resolves the critical issues at the earliest so as to enable WPC to complete the Project by the end of the 2005-2006 fiscal, as assured. The Committee also feel that penalty in the form of liquidated damages, as proposed to be imposed upon the defaulting contractors, is a prudent measure.

Action Taken by Government

All precautions will be taken to ensure that the project is completed by the stipulated period as mentioned at Para 19.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 21)

Wireless Monitoring Organisation (WMO)

In a world of evolving telecom capabilities, beating the system is not posing a real challenge as is evident by the number of operators in the grey market. The WMO's role is crucial in checking and stopping this menace which is detrimental to the revenue generation for the country. The Committee recommend that the WMO fine tune its

monitoring capabilities and stringent measure be taken against offenders.

Action Taken by Government

The wireless monitoring capacities are getting modernized as well enhanced through the World Bank assisted on-going National Radio Spectrum Management & Monitoring System (NRSMMS).

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 22)

The Committee note that the total outlay for the Tenth Five Year Plan (2002-2007) for WMO has been Rs. 49.45 crore. This was to enable WMO to carry out the continuing schemes as well as undertake new ones. But so far, the percentage of utilization is approx. 22 per cent. The committee observe that the Budgetary allocation to WMO in BE 2004-2005 was Rs. 14.27 crore, which was reduced to Rs. 10.87 crore in RE 2004-2005 due to non commencement of constructional works because of delay in acquiring the land for setting up of permanent Wireless Monitoring Stations as well as non implementation of certain technical schemes requiring reassessment, after implementation of the on-going modernization project. The committee would like to point out that in reply to their last year's report on demands for grants, the department had assured that land for which budget was provided in the fiscal 2004-2005, had already been identified & all the existing procedures for land acquisition were being followed scrupulously. But, incidentally the committee find that this year also land at some places is still to be identified & construction work is yet to commence wherever land has already been acquired in 2004-2005. However, now that again an assurance has been given, the Committee believe that land identification process, wherever required, and construction work on the plots of land already acquired will be expedited so that Rs. 18.77 crore, as earmarked for the year 2005-2006, is optimally utilized.

Action Taken by Government

All efforts are being made to utilize the funds during 2005-06. The following paragraphs provide detailed information in this regard.

A. Places where land has already been acquired:

1. W.M.S. Jammu Acquired from Jammu Dev. Authority (State Govt. payment made, land to be handed over to WMO shortly).

2. WMS Vishakhapatnam Land acquired, boundary wall constructed, finalization of architectural drawing & suitable building plan is in progress.
3. W.M.S. Siliguri Land acquired, CPWD is requested to submit architectural drawing & building plan to WMO for approval.
4. W.M.S. Bhopal Sanction of building construction has already been issued to CPWD. Construction is expected to be started by them after full availability of budget to them for this F.Y.
5. W.M.S. Jalandhar Already acquired but construction is not possible due to pending litigation in Hon'ble Supreme Court.
6. W.M.S. Goa Already acquired but construction is not possible due to opposition from local Police Authorities. The matter is forwarded for Ministry's intervention.

B. Places where land has been identified and is to be transferred/handed over:

1. W.M.S. Ranchi To be handed over by BSNL
2. W.M.S. Bangalore To be handed over by BSNL
3. W.M.S. Hyderabad To be handed over by BSNL

C. Other Places.

1. W.M.S. Dibrugarh No Govt. land available within city limits. Efforts are continuing with the State Government.

As regards Technical Schemes of WMO, process for obtaining the financial concurrence for different schemes is in progress.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 24)

The Committee find that an amount of Rs. 3.50 crore has been proposed during the year 2005-2006 for TRAI for a new Project titled

'Institutional Capacity Building'. The said Project has been proposed for conducting consultative studies on regulatory issues by engaging international consultants/consultancy firms of repute and to fulfil the training needs of TRAI officials. The Committee find that such consultative studies *inter-alia* include expansion of rural telephone network, extension of cellular infrastructure in rural areas, tariff issues in the converged services scenario, etc. The Committee are also pleased to note that the training needs of the officials of TRAI have been identified for gainful utilisation of the funds allocated. In view of the regulation work assigned to the Authority both in telecom and broadcasting sectors, the Committee are of the opinion that interaction with international consultants and exposure to international trends in the fast changing telecom scenario is extremely essential. Conducting studies, engaging consultants and imparting training to the officials in TRAI is also of utmost importance. The Committee hope that the Regulatory Authority will optimally utilize the earmarked fund in such studies, consultancies and training programmes to help strengthen its institutional capacities/capabilities.

Action Taken by Government

With the approval of the Planning Commission, TRAI is already working on the above Institutional Capacity Building Project. An amount of Rs. 3.0 crore has since been approved in the Demands for Grants (2005-06) for TRAI for the above project under 'Plan'. With a view to address the immediate regulatory challenges, some of the studies proposed to be carried out in the current year are: (i) Private Terrestrial TV Broadcasting, (ii) System Analysis Design and Development of Application Software, (iii) Study on measures to promote competition in International Private Leased Circuits (IPLC) in India, (iv) Study on measures to promote competition in Domestic Leased Circuits in India. Necessary action is also being taken to nominate TRAI officials for various domestic and international training programmes as per requirements and suitability of the officials. The observations of the Committee are extremely useful and every effort would be made to utilise the funds in accordance with the observations of the Committee.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 25)

Telecom Disputes Settlement and Appellate Tribunal (TDSAT)

TDSAT has to play its role as an adjudicator of telecom disputes efficiently and effectively to fulfil its responsibilities in the nation's

economic progress. It is inevitable that there will be increasing issues in a multiple operator and evolving licence environment which the nation is experiencing as multiple services unfold. There are bound to be contentious issues regarding licensing, tariffs, inter-connectivity etc. which have to be dispensed with efficiently in the interest of the nation's economic march. In helping TDSAT meet its responsibilities TDSAT's resource base and library have to be augmented and modernized towards which TDSAT should utilize its resources.

Action Taken by Government

It is a statement of facts. However, the reply to para 27 contains details of 'Upgradation of Reference Library'.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 26)

The Committee note that 2004-2005 BE provided a sum of Rs. 60 lakh to TDSAT which was increased to Rs. 70 lakh at the RE stage. Out of the allocated amount, Rs. 10 lakh was surrendered due to non-extension of the World Bank Project. The tribunal is expecting to spend Rs. 60 lakh during 2004-2005. The 2005-2006 BE provides for Rs. 1 crore towards plan expenditure. Last year, the Committee were informed that there was a shortfall of Rs. 24 lakh towards plan expenditure is 2003-2004 fiscal. However, this year an assurance has been given to the Committee that action will be taken to strictly comply with an advance schedule prepared with regard to the utilization of fund for training and other aspects relating to HRD in order to fully utilize the amount of Rs. 50 lakh sanctioned in BE 2005-2006 on this account. The Committee believe that measures will be taken accordingly to gainfully utilize the fund.

Action Taken by Government

A detailed proposal has been prepared for utilization of funds allocated for training and other aspects. This includes study visits, participation in seminar and training in India abroad to gain knowledge in latest developments in the telecom sector. Study visits/Training of officials were undertaken as part of the exercise of capacity building.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 28)

Centre for Development of Telematics (C-DOT)

The Committee observe that the total outlay for the Tenth Plan period for C-DOT has been 838.00 crores, but the actual expenditure during the first three years of the Plan period has been Rs. 291.78 crore. The Committee have been informed that C-DOT will be able to spend approx Rs. 280.00 crores in the balance of the two years of the Tenth Plan period. The Committee have further been informed that the low level of expenditure is attributed to fine tuning of the outlays necessitated due to very fast change and complete paradigm shift in the technology scenario, market requirements, the type of products as well as the modality of working. They have also been informed that C-DOT has prepared a definite road map for both short term and long term strategies to ensure that there is no shortfall in the plan expenditure of Rs. 131.00 crores earmarked for 2005-2006. The Committee hope that with re-prioritization, refocusing and fine tuning of important schemes according to the national and market requirements there would be no delay by C-DOT in the achievement of targets in the important schemes.

Action Taken by Government

C-DOT will make all efforts to ensure that there is no shortfall in the plan expenditure of Rs. 131.00 crores earmarked for 2005-2006. The focus on national and market requirements will be balanced for timely achievements of targets in the important schemes.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 29)

The Committee note that C-DOT has not been able to meet the internal revenue generation target during that last three financial years. However, the year 2004-2005 has shown marked improvement. Out of a target of Rs. 40 crore, C-DOT has been able to achieve Rs. 35 crore because C-DOT has realigned itself according to the new needs. The Committee feel that such realignment in the fast changing telecom scenario is inevitable and recommend that C-DOT should continue with it. The Committee also feel that the focus should be more on wireless, broadband, value added services and software intense products, which would certainly help C-DOT generating more revenue.

Action Taken by Government

C-DOT is continuing to realign itself in relation to fast changing scenario. Also, it is also keeping more focus on wireless, broadband, value added services and software intensive products to generate more revenue.

It is also proposed to tie up with M/s Akatel of France for establishment of Global Research Centre at Chennai.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 33)

BSNL has the unique advantage of its extreme base of subscribers and its first mover advantage with its broadband services to the nation. BSNL should therefore strive to improve the quality and increase the research of its broadband due to its extensive cable network. The Company should also consciously strive to offer its broadband through Optical Fibre Cables where there is affordability and business potential. The Committee feel that the credibility enjoyed by BSNL should be effectively leveraged for furthering its reach and expansion of all its services.

Action Taken by Government

BSNL has launched its Broadband service under the brand name Data one on 14/1/2005. For the year 2004-05, BSNL provided 33907 Broadband connections as against a DOT target of 25000. The service is presently operational in 54 cities catering to 58984 customers as on 31/05/05. BSNL is extensively using its copper infrastructure for this deployment.

BSNL plans to give 1 million Broadband connections by Dec. 2005. Out of this, order for the 7.5 lakh ports have already been placed and the equipment is likely to be commissioned by July 2005. In addition 1.5 lakh ports is expected from Wi-fi and Wi-Max tender. The placement of order for additional 31 lakh Broadband ports is also in process and is likely to be completed by end of June 2005.

In Order to procure by required infrastructure, following provisions have been made in the B.E. 2005-2006.

Sl.No.	Item	B.E. 2005-2006 in crores
1.	Broadband RAS	300
2.	Content Delivery Network for Broadband (CDN)	200
3.	Broadband Multiplay	500

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 34)

To say that BSNL has failed to foresee the growing demand for its mobile services and that too when the real growth in the last two/three years has been in mobile telephones, would be an understatement. The Secretary, DoT has rightly pointed out in evidence that BSNL can immediately increase its mobile connections by ten million lines as there is a huge demand for BSNL mobile connection in the entire rural areas and cities also. In view of the above, the Committee strongly recommend that BSNL should take all prudent measures to cater to the demand of the people and affirm the faith, expectation and goodwill reposed in it. The Department on its part, should take care to avoid the procedural delay, so that such delays do not come in the way of BSNL's roll out plan.

Action Taken by Government

1. BSNL has taken steps to speed up the rollout of its cellular capacities as soon as it was noticed that there is an unprecedented demand for its services through out the length and breadth of the country. Being a third entrant to the cellular segment, a cautious but an aggressive approach was necessary at the early stages, as BSNL had to contend with a highly competitive scenario. However, once the general public reposed confidence in BSNL's Cellone services, there was no let up in augmenting capacities as shown below:

Period	Network Capacity
31-03-2003	2690140
31-03-2004	4865077
31-03-2005	9492154

2. Due to the consistent action taken on this front the market share of BSNL as on 30.04.2005 stands at 23%. In order to increase the overall market share to 50% of the total DELs, BSNL is planning to achieve a growth of 20.5 M connection in 2005-06 and BSNL has initiated suitable procurement action for this. In addition to all DHQs, THQs, National Highways and important railway routes, BSNL is planning to cover all Block Head Quarters. BSNL has also taken steps to improve the coverage and capacity wherever its services are already available.
3. These steps will go long way to cater to the demand of the people and affirm the faith, expectation and good will reposed in BSNL.
4. BSNL being a Public Sector Undertaking has to follow transparent procurement procedure which certainly takes some time. However, all efforts are being made to minimize the procedural delay so as to augment the network capacity in a limited time frame. However, there are innumerable constraints which are being faced by BSNL in rolling out of Cellular Mobile Projects, and are being addressed, albeit each of them has an impact on roll out.
5. BSNL's rollout of 15 million lines has begun. Launch of North and South Circles has already been made. Depending on the progress, release of additional 50% capacity as provided in tender will also be made. Similarly, preparation of tender documents of additional 40 million lines has also been undertaken.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 41)

The Committee are convinced that MTNL would require some infusion of fresh talent into them to set good practices in planning, adopting cost effective measures, timing of tendering, strict implementation of contractual obligations, completion of projects in time etc. and then only they would be able to meet the targets and have no surplus funds parked. The Committee, therefore, recommend that MTNL has got to do serious thinking for achieving the targets in a more effective manner in the prevailing competitive environment.

Action Taken by Government

MTNL has plan to recruit Technical, Financial, HR and Marketing personnel through competitive exams as Management Trainees/JTOs. In addition direct entries at Manager/Dy. Manager are being assessed in the areas of HR/Marketing, to start with. This has been necessitated due to formation of PSUs and absorption of cadres in the PSUs and stoppage of recruitment by UPSC in the Middle Management level in these areas.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 42)

The Committee also feel that MTNL by virtue of its locational advantage and the prime markets that it serves should strive to be a more proactive provider of emerging services that are a necessity of vibrant economies. MTNL should strive to improve the quality of its services and chase the breed of emerging niche service users who will be the major users of a wide range of premier communication services. The Committee also supports MTNL's efforts to penetrate the international markets while utilizing the knowledge and experience of other PSUs like that of TCIL.

Action Taken by Government

MTNL has introduced many new and value added services, significantly Broadband services through ADSL2+on existing copper lines, digital certifying authority etc.

MTNL has drawn a comprehensive plan to improve quality of service and customer care. Some major initiatives taken are:

1. The capacity of GSM has been increased by 800K Lines.
2. The capacity of CDMA WLL is being increased by 800 K lines.
3. PCUT cable is being replaced by PIJF, Optical Fibre Cable DLCs etc.
4. RSU, have been provided to reduce loop length.
5. Broadband based on ADSL2+was started on copper line. MTNL plans to provide triple play services of high speed

Internet, Video and voice on the same copper line using this technology. This is expected to fuel the growth of fixed lines.

6. E10B Exchanges are being replaced by latest technology.
7. Commercial procedures have been simplified.
8. Sanchar Haat, customers service centers and call centers are also available to provide the best customer care.
9. New Technologies such as IP over MPLS, 3rd Generation mobile services based on WCDMA will be introduced shortly. MTNL will be able to provide convergence of services, high speed data with mobility and many more services using these technologies.
10. In addition, MTNL has deployed Managed Leased Line network in a big way to cater to the need of business customers. VPN Layer 2 and VPN Layer 3 services are also being planned for these customers.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 45)

The Committee are informed that MTNL has a turnover of Rs. 4,340 crore upto December, 2004 in comparison to a turnover of Rs. 6683.93 crore in 2003-2004 and Rs. 6030.22 crore in 2002-2003. The profit before tax is Rs. 840 crore upto December, 2004 as against Rs. 1684 crore in the year 2003-2004 and the profit after tax is Rs. 633 crore upto December, 2004 as against Rs. 1234.6 crore in the year 2003-2004. This decline is partly attributed to the decline in tariff rates on account of competition. The Committee are concerned at the steep decline in turnover as well as profit of MTNL in this financial year. The Committee desire that the matter be looked into and appropriate measures taken with a view to improving the financial performance of MTNL. The Committee would like to be apprised of the specific action taken in the matter.

Action Taken by Government

Measures have already been taken to rationalize the tariff by reducing the pulse rate (for local & neighbourhood calls) and fixing physical targets for the year 2005-06 to improve the revenue and

consequent profit. Aggressive marketing is being done to increase the Broadband connections and Cellular Mobile connections for which targets of 5 lakh lines & 8 lakh lines respectively have been set. This is expected to yield additional revenue streams.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Telecommunications Consultants India Ltd. (TCIL)

Recommendation/Observation (Para No. 48)

The Committee are happy to note that TCIL has achieved global mandates and is striving to get into more countries in the fields of core competence of the Company viz. Network projects, Software support, Switching and Transmission systems, Optical Fibre on ground wire for tower utilities, e-Governance for India and abroad etc. The paid-up capital of the Company has gone up from Rs. 10 lakh to Rs. 28.80 crore in a span of 24 years and is having a turnover of about Rs. 750 crore today. The Company is stated to have worked in 55 countries so far, with export turnover of 71.25% of the total turnover. While appreciating the performance of the organization, the Committee hope that TCIL will strive to widen their range of operation and enhance their business. The Committee encourage TCIL to share its experience and knowledge base of international markets with the other telecom PSUs.

Action Taken by Government

The targets are figures given in the recommendations/observations No. 48 have been confirmed by TCIL. However, as regards TCIL's turnover for 2003-04, it is stated that with the adoption of the accounting standards AS-9 w.e.f. the year 2003-04, cost of the material provided to TCIL by MTNL/BSNL which was on custodial basis are not included in the turnover. Hence, the turnover for 2003-04 has been reduced from Rs. 750 crore to Rs. 544.43 crore. Further, TCIL does not take any grant from Government of India and, therefore, demands in this regard are 'Nil'.

TCIL is already in the process of re-engineering its operations by shifting from wireline services to wireless services and IT and IT-enabled value added services. Some of the projects successfully executed by TCIL are:

- (i) Recharge Card Management System (RCMS) and Customer Care Management System (CCMS) to MTNL at Delhi and Mumbai.

- (ii) Implementation of Kisan Call Centres all over the country for the Ministry of Agriculture.
- (iii) Optical fibre cable based data cabling network for Cyber City Project of Mauritius.
- (iv) Execution of design and feasibility study of Cyber City Projects in Sudan and Algeria.
- (v) Fibre to the Desk (FTTD) network for the Government of Kuwait.
- (vi) Award of E-Governance projects for the Governments of Jharkhand and Tripura.
- (vii) Project for BSNL installed at five International Long Distance (ILD) switches for lawful interception and monitoring.

TCIL has also taken decisions/initiatives in new areas of business operations such as:

- (a) Tie up with TCS and IBM for implementation of NIBP for BSNL.
- (b) Tie ups with major GSM vendors such as Nokia, Ericsson, Alcatel etc. for implementation of their projects in Libya, Ethiopia etc.
- (c) Focussed thrust in the fields of wireless communication, IT networks and IT-enabled services.
- (d) Undertaking cyber city/cyber park and building projects in Sudan, Algeria, Mauritius etc.
- (e) Over 60 technology alliances through MOUs with international leaders in new high-tech fields for augmenting TCIL's strength in consortium bids.
- (f) Civil engineers not needed in the wireless sector have been re-employed in highway projects.
- (g) Servicing of UN orders for provision of hi-tech equipment and manpower for their missions in various parts of the world, value of Rs. 61 crore.
- (h) Tie up with major fibre to the Home (FTTG) solution provider, Alcatel for implementation of G-PON in Kuwait at a value of US \$ 17 million.

- (i) Tie up with HITT, a Netherlands Company, for execution of the project of vessel traffic services system for Gulf of Kutch in Gujarat at a value of Rs. 117 crores from DGLL.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 49)

Other Issues

(i) Reimbursement to Department of Posts

The Committee observe that an outstanding due of Rs. 100 crore is to be reimbursed to the Department of Posts for the telegraph services they have rendered to the Department of Telecommunications (DoT). The Committee would like to impress upon the Department of Telecom to sort out the matter amicably and expeditiously so that the long standing dues of Department of Posts are made available to them.

Para 49 of Seventeenth Report of Standing Committee on Information Technology (Fourteenth Lok Sabha)

Action Taken by Government

Since the average revenue collection per telegram in Combined Post Offices is only Rs. 6, BSNL has agreed to pay Rs. 6.95 per telegram as agency charges to DOP or alternatively for a Finder Keeper System wherein DOP can keep all the revenue earned through booking of telegrams in Combined Post offices. However, DOP is not agreeing to this proposal and is pressing for payment of agency charges @ Rs. 56 per telegram which is about 10 times the average revenue collection per telegram.

To sort out this issue, meetings are being held between Department of Posts and Bharat Sanchar Nigam Limited with DoT as facilitator.

[Ministry of Communications and Information Technology/
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CHAPTER III

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

Recommendation/Observation (Para No. 1)

Unified Access Service Licence (UASL) and Unified Licence (UL)

The Committee observe that in order to ensure rapid expansion of tele-density commensurate with the central objectives of NTP-99 and due to unprecedented expansion of telecom services, steep reductions in tariffs as well as cost of telecom services, advancement of technology etc., the Government, in public interest in general and consumer interest in particular, decided to introduce Unified Access Service Licence (UASL) and Unified Licence (UL). The Committee are informed that the UASL which envisages wireline and wireless services under the same licence and in turn intends to help the licensee to optimise resource utilization for faster expansion of the network was introduced on 11 November, 2003. The UL which envisages provision of National Long Distance (NLD), International Long Distance (INLD), Internet Services apart from basic and cellular services has not yet been introduced, although recommendations for introduction of such licence have already been received from TRAI. The Committee find that as the entry fee for UASL has been made at par with that of the fourth Cellular Licensee, the roll out obligations in terms of coverage of rural areas has ceased to exist because the Cellular Licence does not envisage roll out obligations in rural areas. Simultaneously, the Committee observe that as the urban areas are getting saturated, most of the service providers are shifting their focus to rural areas as is evident from the increased level of participation by Private Service Providers in the Tenders floated by USO Fund for Rural Community Phones (RCPs). The Committee further find that on 30 September, 2004 Agreements were signed with BSNL and Reliance Infocom Ltd., for provision of RCPs in 46,253 villages out of which BSNL's share is 24,794 and that of RIL is 21,459. However, for 1,917 RCPs installed during the quarter ending 31 December, 2004 claims have been received from BSNL only.

Action Taken by Government

It is factual information.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 5)

Universal Service Obligation (USO)

The Committee note that pursuant to the Guidelines under NTP-99, the Universal Service Support Policy (USSP) came into effect from 1st April, 2002 and Universal Service Obligation Fund (USOF) was established on 1st June, 2002. The Committee are happy to note that the USO Fund in India is one of the largest and most active funds in the world. In this context, the Committee find that a sum of Rs. 1653.61 crore was collected under USF during the year 2002-2003. Similarly, during the years 2003-2004 and 2004-2005, Rs. 2143.22 crore and Rs. 2899.50 crore respectively were collected from the Service Providers. The collections for the year 2005-2006 are anticipated at Rs. 3034.00 crore. Funds likely to be collected as Universal Service Levy (USL) over the Tenth Plan period are estimated at Rs. 13,000 crore. The Committee observe that the allocations to USF in all these years have not been commensurate with the collection of funds. For example in the years 2002-2003, 2003-2004 and 2004-2005 the allocations have been Rs. 300 crore, Rs. 200 crore and Rs. 1200 crore respectively against the collection of much higher amounts as mentioned above. Similarly, during the year 2005-2006, although the anticipated collections are Rs. 3034.00 crore and the requirement is Rs. 5000 crore, a sum of Rs. 1200 crore only has been provided. Thus, the overall arrears from the accrual is Rs. 6,830.00 crore. The Committee have been informed that the USO Fund has been giving support to operation and maintenance of existing VPTs, replacement of MARR based VTPs etc. but, from next year, the Fund is also going to support roll out of new lines in the rural areas. It has, therefore, become critical that if timely release of funds is not made to USOF, the service providers who have shown keen interest of roll out new lines in rural areas, will lose enthusiasm to do so.

Action Taken by Government

Statements of facts; noted please.

[Ministry of Communications and Information Technology/
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Recommendation/Observation (Para No. 7)

Committee also desire that options may be explored to see that funds collected as US levy are directly transferred to USO Fund as both the functions are performed under the same Department. Consequentially, it will help in effective and timely utilization of funds.

Action Taken by Government

The transfer of funds collected as US levy to USO Fund are governed by Indian Telegraph (Amendment) Act 2003, according to which the 'sums of money received towards the Universal Service Obligation under section 4 shall first be credited to the Consolidated Fund of India, and the Central Government may, if Parliament by appropriation made by law in this behalf so provides, credit such proceeds to the Fund from time to time for being utilized exclusively for meeting the Universal Service Obligation'.

The system as laid down in the Act has enabled USO Administration to get the required quantum of funds. Since a change in the procedure will require an amendment to the Act, it is considered advisable to look at that option only if adequate amounts are not provided for the USO Fund.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
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Recommendation/Observation (Para No. 16)

The Committee observe that the Plan BE 2004-2005 provided TEC a sum of Rs. 4.00 crore, which was reduced to Rs. 2.98 crore at the RE stage. The actual expenditure upto 28th February, 2005 has been Rs. 36.27 lakh only. The reasons given by the Department for such under-utilisation are (a) a sum of Rs. 1.20 crore was surrendered as the payment for building in Kolkata was not expected during 2004-2005 fiscal; (b) Rs. 98.54 lakh was surrendered due to non-receipt of bills from DGS&D against computer supplies and savings under the Government of India component of World Bank TA Project. Thus, TEC was left to spend Rs. 79.46 lakh only during 2004-2005. The Committee find that TEC has been able to spend only Rs. 36.27 lakh out of the balance of Rs. 79.46 lakh during 2004-2005 and therefore, they have been unable to achieve the physical targets set for the year.

One of the reasons for the shortfall in achievement of physical targets is stated to be 'realisation at a later stage that few standards were yet to be frozen by International Standard Bodies'. Although some unforeseen circumstances may cause savings, yet the Committee are of the view that savings in any form tantamount to non-utilisation of budget provisions and therefore the schemes suffer. 'Realisation at a later stage' is definitely one of the shortcomings in budgeting process.

Action Taken by Government

Following is the detailed justification of funds utilization in TEC in year 2004-05.

Allocation under BE 2004-05	Rs. 4.00 Crore
RE for 2004-05	Rs. 2.98 Crore. A sum of Rs. 1.02 crore was reduced due to cancellation of Optical Fibre test instrument project estimate. This estimate was cancelled as the Type Approval activities were to be made over to BSNL and therefore the test instruments were not needed in TEC.
(a) Surrender of Rs. 1.20 Crore	The amount was surrendered as BSNL has not raised the bill for construction of TEC portion of the building in Kolkatta.
(b) Surrender of Rs. 98.54 lakh	<ul style="list-style-type: none"> (i) Rs. 70.34 lakh was to be paid to DGS&D against supply of computers to TEC. DGS&D was asked to raise the bills to TEC in January, 2005. The bills have not been received so far. (ii) In World Bank TA project, Rs. 34.4 lakh was allocated by DoT as Indian component. Out of Rs. 34.4 lakh, only Rs. 6.20 lakh was utilized. Therefore, Rs. 28.20 lakh was surrendered.

(c) Final Grant of Rs. 79.46 lakh Final grant was asked for Rs. 79.46 lakh. Out of which, Rs. 72.95 lakh was utilized. The difference in amount is due to the change in foreign exchange rate and actuals required from the Indian Embassies for the payment made towards stay of TEC officers abroad.

It is submitted that the non-utilization of funds has not affected any projects/schemes. Only the payments have not been released, generally due to non-receipt of bills, which is beyond the control of TEC.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 23)

Telecom Regulatory Authority of India (TRAI)

The Committee are of the opinion that TRAI is not entirely fulfilling the responsibility of an effective Regulator in an environment in which varied communication needs of a strengthening economy are being fulfilled rapidly. Keeping in view that the institution of a strong and independent regulator is a necessity to ensure seamless and efficient service to users in a multiple operators environment, TRAI needs to be strengthened adequately for it to play an effective and a forceful role.

Action Taken by Government

The Telecom Regulatory Authority of India (TRAI) was established under the Telecom Regulatory Authority of India Act, 1997 enacted on 28th March, 1997. The TRAI (Amendment) Act, 2000 led to reconstitution of the TRAI. In keeping with the mandate given under the TRAI Act, the TRAI has played a catalytic role in the development of Telecommunication Sector. During this short span of eight years, TRAI took a number of policy initiatives to facilitate reforms in the telecom sector and extend scope, availability and reach of this service in India. The various recommendations given by the TRAI pertaining to Basic, Cellular, National Long Distance, International Long Distance, Internet, etc. have provided the basis for introducing greater competition

in the telecom sector. It has been its endeavour to provide a regulatory policy environment, which is fair and transparent, encourages competition, permits a level playing field for all service providers, protects the interests of consumers and enables technological benefits to one and all. This is evident from the fact that unprecedented growth has been achieved in the Telecom Sector. At the end of May, 2005, telephone subscribers in the country crossed the 102.5 million thereby taking the teledensity to 9.46. Vide a Notification of the Government, from 9th January, 2004, Broadcasting and Cable Services have also been included in the definition of 'telecommunication service' under the TRAI Act. Thus, Broadcasting and Cable Services have also come under the purview of TRAI.

Some major initiatives taken by TRAI during 2004-05 include Recommendations on Unified Licensing Regime, Spectrum issues, growth of Internet and Broadband, reduction in Access Deficit Charges (ADC) and resultant increase in subscriber base and reduction of tariff, measures to protect the interests of the consumers, recommendations on licensing issues relating to the 2nd Phase of Private FM Radio Broadcasting, recommendations on issues relating to Broadcasting and Distribution of TV Channels, fixation of ceiling tariff for International Private Leased Circuits (IPLC) and Domestic Leased Circuits (DLC). The various regulatory initiatives taken by TRAI have led to a significant downward trend in local call charges for mobile telephony as well as STD charges for long distance calls beyond 200 kms. During 2004-05, the minimum effective per minute charge for local outgoing calls for post-paid mobile service has come down from Rs. 1.90 in March, 2004 to Rs. 1.20 in March, 2005 showing a decline of 35%. STD charges for long distance calls beyond 200 kms. also declined by 33% during 2004-05 from a level of Rs. 3.60 per minute to Rs. 2.40 per minute in March, 2005. The rates for International Calls to USA, Canada, Europe also registered a decline of 25% during the year. The lower mobile tariff has contributed to phenomenal growth in mobile services.

However, on the basis of its regulatory experience, certain amendments to the TRAI Act 1997 is under consideration of the Government. Furthermore, World Bank funding of Rs. 3 crore has been earmarked for capability building and consultancy for TRAI.

[Ministry of Communications and Information Technology/
Department of Telecommunications, O.M. No. 16-10/2005-B,
dated 30th August 2005]

Recommendation/Observation (Para No. 27)

The Committee also desire that the balance Rs. 50 lakh, as earmarked during 2005-2006, is utilized optimally towards upgradation of Reference Library, Holding of Seminars etc. so that better awareness about the regulatory and adjudicatory processes of TDSAT amongst the stakeholders and discussion on issues relevant to dispute settlement in the field of telecommunication is generated.

Action Taken by Government

The details of the activities proposed to be undertaken towards upgradation of Reference Library and holding of Seminars etc. are given as under:

Activity I. Upgradation of Reference Library

A LAN based computerized Library has been set up by this Tribunal under the World Bank Telecommunications Sector Reforms Technical Assistance Project. Under this project, TDSAT had purchased computers, books and other electronics items and developed website www.tdsat.nic.in. Reference Library is very useful in assisting Hon'ble Chairperson, Members and other functionaries of this Tribunal in applying telecom laws, rules and regulations to settle the disputes filed before the Tribunal. The Library contains (a) papers and computer based repository of relevant Indian telecom regulations as well as regulations of other countries for easy navigation of the reference material; (b) paper and computer based repository of regulatory cases in India and other developing and developed countries that will potentially be used in adjudicating cases filed before the TDSAT; and (c) sharing of data among the users. Website contains information about TDSAT, the activities undertaken by it from time to time and important judgments rendered for the information of the public at large and the advocates.

Now it is proposed to upgrade and maintain the Library by developing "Case Monitoring System" software with the help of Professional agencies, to monitor the status of the cases filed in the Tribunal. It is also proposed to purchase some equipment like Bar Code Printer, Bar Code Scanner, Bar Code levels and other electronic items and books as well as journals/publications related to Telecom Laws, Telecom Technology and Telecom Services (which now include Broadcasting & Cable Services as well) to modernize and upgrade the Library of the Tribunal.

The Tribunal plans to develop a separate networking for Reference Library and appoint a suitable Computer Programmer on contract basis to develop and maintain the TDSAT Library.

The estimated expenditure with item-wise break-up is indicated below:—

(i)	Purchase of Books/Publications	Rs. 8.0 Lakhs
(ii)	Purchase of equipments	Rs. 4.5 Lakhs
(iii)	Contract charges fee of Computer Programmer/ Software Engineer	Rs. 2.5 Lakhs
		Rs. 15.0 Lakhs

Activity II. Holding of Seminars

Under the World Bank Project 'the Telecommunication Sector Reforms Technical Assistance Project', the Tribunal had organized two International Seminars and three National Seminars. These were meant to generate awareness amongst various stake holders including consumers about disputes resolution mechanism in the telecom sector in India and abroad. The national seminars were held at Bangalore, Mumbai and Chennai and these greatly helped in creating not only better awareness but also in understanding the mandate of TDSAT setout under TRAI Act. With 'Broadcasting Services and Cable Services' being notified as 'Telecommunication Services' the number of cases coming up before the Tribunal has increased manifold. To generate more awareness, it is necessary that more seminars are held across the country. Towards this end, the Tribunal proposes to hold five to six seminars at places like Hyderabad, Kolkata, Guwahati etc. during the current financial year.

The approximate expenditure on the National and International Seminars that had already been organized by the Tribunal is within the range of Rs. 4.5 to Rs. 5.0 Lakhs and Rs. 9.0 to Rs. 10.0 Lakhs respectively, and the Tribunal proposes to incur expenditure within the said limit for the proposed seminars. Thus, the total budget provision of Rs. 35 Lakhs for the current financial year is likely to be utilized.

Based on the need, the Tribunal will also consider appointment of Consultant within the allocated amount.

[Ministry of Communications and Information Technology/
Department of Telecommunications, O.M. No. 16-10/2005-B,
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Recommendation/Observation (Para No. 30)

Bharat Sanchar Nigam Limited (BSNL)

The Committee observe that for BSNL the 2003-2004 and 2004-2005 BE provided a sum of Rs. 12,285 crore and Rs. 8,809 crore (excluding USO and Spectrum Charges) respectively. At the RE stage, the approved amount was correspondingly reduced to Rs. 10,608 crore and Rs. 6,626 crore. For the year 2005-2006, an outlay for Rs. 15,081 crore has been proposed whereas a sum of Rs. 9,969 crore has been approved. In this context, the Committee find that for the years 2004-2005 and 2005-2006, the BSNL outlays did not include the reimbursement of License Fee, Spectrum Charges and USO support under plan head as the same was provided by the Ministry of Finance under non-plan head. Nevertheless, the Committee are informed that the reason for reduction in outlays has been the inadequate/non-provision of reimbursement of License Fee and Spectrum Charges to BSNL and also lower provision under USO Fund as against the requirement. The Committee also observe that the Government have recently decided to reimburse BSNL an amount of Rs. 1,994.85 crore towards reimbursement of License Fee and Spectrum Charges. This includes an amount of Rs. 1,408 crore which is 2/3rd of Rs. 2,113.35 crore paid by BSNL towards License Fee and Spectrum Charges in the year 2004-2005 and reimbursement of backlog of Rs. 589.95 crore pertaining to shortfall in reimbursement of License Fee and Spectrum Charges during the years 2001-2002 to 2003-2004. The Government have also announced reimbursement of 1/3rd of License Fee and Spectrum Charges payable by BSNL in the year 2005-2006. The Committee further observe that for the year 2005-2006 the gap between the proposed outlay and the approved outlay for BSNL works out to Rs. 5,385 crore. BSNL hopes to recover at least Rs. 1,700 crore as support from USO Fund. And even if Rs. 1,994.85 crore, as announced by the Government towards reimbursement of License Fee and Spectrum Charges including arrears is given to BSNL, there will still be a gap of Rs. 1,690.15 crore for the Company to carry out its plan expenditure amount in full during this year, the gap will be much wider. The Committee, therefore, urge the Government to reimburse the projected amount in full during this year.

Action Taken by Government

At the time of corporation of the Department of Telecom Services/ Department of Telecom Operation to set up Bharat Sanchar Nigam Limited, the Government decided that a package of measures shall be provided to BSNL to ensure that its viability is not impaired due to provision of services, which are socially desirable but uneconomic.

Subsequently the Government approved the following package of measures to BSNL in February 2002.

1. Reimbursement of Licence Fee and Spectrum Charges for the period up to 31st March 2003. The quantum of Licence Fee and Spectrum Charges to be decided annually by DoT in consultation with MoF.
2. The Government loan of Rs. 7500 crores for a period of 15 years with a moratorium on repayment of principal and interest up to 31.03.2004.
3. Exemption from payment of dividend on preference share capital up to 31.03.2004 and on equity share capital up to 31.03.2002 and waiver on dividend due on equity share capital at the rate of 50% and 25% for the years 2002-03 and 2003-04 respectively.
4. Concessional Central Sales Tax of 4% on all its procurements.

Based on the above, BSNL was reimbursed Licence Fee and Spectrum Charges amounting to Rs. 4600 crores for the period from 2001-02 to 2002-03, at the rate of Rs. 2300 crores each year.

Further, the Government approved in September 2003 that (i) reimbursement of Licence Fee and Spectrum Charges would be made available beyond 2002-03 for a period of one year, (ii) the moratorium on repayment of principal and interest on government loan would be extended up to 31.03.2005 and (iii) the equity included in the capital structure of BSNL should be subject to a dividend of not more than 10% during 10th Plan period.

Accordingly, a sum of Rs. 2300 crores of Licence Fee and Spectrum Charges was reimbursed to BSNL during 2003-04.

Further, the Government decided on 31.10.2003 that existing relief and concessions would be extended to BSNL on year to year basis after reviewing the budgetary provision before the commencement of each financial year.

Subsequently the Government on 2nd Feb. 2005 approved the following relief measures to Bharat Sanchar Nigam Limited for the year 2004-2005 and 2005-06:—

- (i) Reimbursement of 2/3rd of the amount paid by BSNL towards Licence Fee and the Spectrum charges in the 2004-05 during the financial year 2004-05.

- (ii) Reimbursement of 1/3rd of Licence Fee and Spectrum Charges payable by BSNL in the year 2005-06 during the financial year 2005-06 on the basis of actual receipts.
- (iii) Reimbursement of backlog of Rs. 591.02 crores on account of shortfall in reimbursement of Licence Fee and Spectrum Charges paid by BSNL for the year 2001-02 to 2003-04.

Accordingly, a sum of Rs. 1765.68 crores including Rs. 591.02 crores towards backlog of Licence Fee and Spectrum Charges for the year 2001-02 to 2003-04 was reimbursed to BSNL during 2004-05.

Further, based on the estimated receipts of licence fee and spectrum charges from BSNL for the year 2005-06, a sum of Rs. 616.67 crores has been proposed for inclusion in the First Batch of Supplementary Demands for Grants 2005-06.

[Ministry of Communications and Information Technology/
Department of Telecommunications, O.M. No. 16-10/2005-B,
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Recommendation/Observation (Para No. 31)

In view of the fact that the underlying principle for providing package of relief measures to BSNL has been to ensure its financial viability on account of increased burden due to rural telephony and corporatisation coinciding with competition in the telecom sector, the Committee impress upon the Government to reimburse the License Fee and Spectrum Charges including arrears at the earliest besides looking into the other liabilities thrust upon the Company after its corporatisation. The Committee desire that the Company, on its part, should put its act together and gear itself up to stand on its own and face competition and challenges because sooner than later, all the Government patronage being extended to it may be neutralised.

Action Taken by Government

As compensation towards the losses incurred by BSNL in rural telephony, Central Government had approved reimbursement of 2/3rd of License Fee and Spectrum Charges to BSNL in the year 2004-05 and reimbursement of backlog of Rs. 591.02 crore on account of shortfall in reimbursement of License Fee and Spectrum Charges paid by BSNL for the years 2001-02 to 2003-04. The Government also approved reimbursement of 1/3rd of License Fee and Spectrum Charges payable by BSNL in the year 2005-06.

In accordance with above decision this Department has paid an amount of Rs. 1765.68 crore to BSNL towards reimbursement of License Fee and Spectrum Charges as compensation for rural telephony in the year 2004-05. This amount includes Rs. 1174.66 crore towards reimbursement of 2/3rd of License Fee and Spectrum Charges for the year 2004-2005 and reimbursement of Rs. 591.02 crore towards backlog of License Fee and Spectrum Charges for the year 2001-02 to 2003-04. This amount of Rs. 1765.68 crore paid to BSNL is provisional and it will be reviewed after exact finalisation of assessment by DoT of License Fee and Spectrum Charges payable by BSNL from the year 2001-02 to 2004-05. As regards reimbursement of 1/3rd of License Fee and Spectrum Charges for the year 2005-06 appropriate budgetary provision of Rs. 616.67 crore has been proposed for inclusion in the First Batch of Supplementary Demands for Grants 2005-06.

The Committee's recommendation that the Company, on its part, should put its act together and gear itself up to stand on its own and face competition and challenges because sooner than later, all the Government patronage being extended to it may be neutralized, has been respectfully noted for necessary action.

[Ministry of Communications and Information Technology/
Department of Telecommunications, O.M. No. 16-10/2005-B,
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Recommendation/Observation (Para No. 32)

The Committee are surprised to note that there has been under utilisation of funds by BSNL during the last two/three years due to poor estimation of the demand and supply position by the Company. The Committee are concerned that the Company could not foresee the demand for 15 million mobile lines and therefore they were not prepared for such a huge procurement. The Committee have always been emphatic that the preparedness to meet the current demand should always compliment the exponential demand, be it fixed line or mobile services.

Action Taken by Government

1. BSNL rolled out its cellular services by a capacity of 4 million lines inspite of the fact that Telecom Commission initially set forth a capacity of 1.5 million lines is in the erstwhile DoT. In spite of the thrust by BSNL to Cellular Mobile and induction of 4 million lines, the demand outstripped supply. The network is being continuously

expanded through invoking of clauses for additional capacities that can be ordered. Presently the connections are 98 lakhs and BSNL in spite of entering after six years of private operators, is quite competitive and the second largest GSM cell operator in the country.

2. The demand for 15 million was foreseen and acted upon in parallel for procurement but due to interoperability issues, roll out is expected to have technical problems before capacities are available.
3. The payments are made to companies based on deliverables of services and in spite of provisions made in each year budget as per provision in the tender, the delay by vendors in meeting the objectives set forth in spite of making capacity available resulted in under utilisation of funds allocated. The tender provided for payment over a period of around two years.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
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Recommendation/Observation (Para No. 36)

The Committee feel that it is high time BSNL provided the benchmark for all services considering its potential for penetration and the support it gets from the Government besides the need for the Company to prevent cartalization and monopoly.

Action Taken by Government

1. "BSNL has signed an MOU with DOT wherein BSNL has proposed to add 75 Lakh lines in the year 2005-06 alongwith 4.5 lakh Broadband connections and 8 lakh Internet Connections.
2. However, the realise the version of 250 Million telephone connections in the country by Dec. 2007, BSNL has set for itself an internal target of 24.7 million telephone connections for the year 2005-06.
3. BSNL has emerged as a complete telecom solution provider. To this end BSNL is offering all types of voice, data and video services to its customers. For the year 2005-06, BSNL has set for itself a target of 1.0 Million Broadband connections and 1.1 million Internet connections.

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Comments of the Committee

(Please see Paragraph No. 14 of Chapter I)

Recommendation/Observation (Para No. 38)

Mahanagar Telephone Nigam Limited (MTNL)

The Committee note that in the year 2004-2005 the BE for MTNL was Rs. 2157 crore which was slashed down to Rs. 1855 crore at RE stage and the expenditure is around Rs. 950 crore which is approximately 40% of the proposed budget. The reasons as given by the Department relate to non-completion of a project, non-procurement of terminals, non-finalisation of tender, non-receipt of license and bad planning towards expansion in new services areas abroad. The Committee feel that the Department is well aware of its problems in the non-achievement of financial targets. Planning without a clear vision of the expected goal as in the case of expansion in new services areas abroad, non-receipt of hardware as in the CDMA terminals, non-finalisation of tender as in IT related services reflects adversely on the efficiency of the procurement system of MTNL.

Action Taken by Government

The plans of MTNL have been kept ambitious to explore all possibilities of growth whether they may be in new services in the MTNL operational areas or new areas abroad. MTNL is operating in a highly competitive market and also in a situation where the technology is changing at a rapid pace. In such a scenario where techno-economic environment is constantly changing, this long-term planning is based on certain assumptions, which sometimes may not come true. In case of expansion in new service areas abroad, provision is made in the budget estimates on the assumption that opportunities will arise due to opening of markets. With regard to the purchase all efforts are made to complete the same in time. However, sometimes due to pending problems although the equipment start working, the full payments can not be released resulting in lower spending. All efforts are being made to streamline the procurement process and to make the plans realistic. MTNL field units and the concerned Cells have been advised accordingly.

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Recommendation/Observation (Para No. 39)

The Committee feel that MTNL should be more active in timely calling of tenders, placement of orders and focus on improving and cutting down on time in the procedural part. It should also see that vital funds are not parked in every ambitious projects e.g. Rs. 400 crore were budgeted for expansion in new services whereas later on in the year it was felt that there were basically no opportunities in the field. The Committee are of the strong opinion that funds come easy to MTNL and therefore, there is no hard thinking, otherwise, there is no reason why a limited Company should be spending 40% of its budget in a year, whereas 60% of the Budgetary Provisions *i.e.* Rs. 950 crore were lying for a whole year and have gone unspent, which is a colossal wastage of scarce resources. The Committee recommend the MTNL should exercise maximum restraint in projecting its demands through a well laid out coordination between its various departments of purchase, production, sales, inventory and expansion. The Department should deeply look into its efficiency as a whole and improve upon cutting down on wasteful budgeting.

Action Taken by Government

MTNL is calling tenders in time and moving ahead with the implementation of its approved plan as per schedule. Funds have been re-allotted to various projects based on estimated requirement, which shall be reassessed at Revised Estimates stage. MTNL functions in a highly competitive environment and manages with a legacy fixed line network. It is trying to modernize and improve the infrastructure in a rapidly evolving technology environment by utilizing all the available resources carefully.

In this connection, it is submitted that since no budgetary support is given to MTNL and it incurs capital expenditure out of its own internal generation; lower capital expenditure (due to various reasons including reduction in prices due to competitive tender procedure) in a particular year does not result in lapse of grant. As the funds remain with MTNL, there is no wastage of resources, which can be utilized in the subsequent year for various projects as per approved plan. While MTNL does not demand any budgetary support from the Government, it is implementing a coordinated approach for implementing its plans. The field units and concerned planning cells have been advised to further improve the planning process as recommended by the Standing Committee.

[Ministry of Communications and Information Technology/
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dated 30th August 2005]

Recommendation/Observation (Para No. 40)

The Committee note that MTNL has achieved 13.56% of targets fixed for the first 3 years of the Tenth Plan in DELs, 49.07% of targets fixed for Net Switching Capacity, 42.63% in Tax/Tadem and 29.14% in DLCs. The Committee have been informed that the shortfall in DELs was due to the shift of demand from fixed line to mobile and the mobile service capacity was exhausted quickly, it being a cost effective service. In Tax/Tadem, MTNL had fixed targets anticipating a demand from BSNL but BSNL has installed its own Tax/Tadem. Having gone through the financial and the physical targets and achievements, the Committee are concerned about the future of MTNL. They feel that unless MTNL improves on its efficiency both in house and as a service provider the day is not far off when the private operators may overtake MTNL rendering the Company to a less preferred service provider.

Action Taken by Government

MTNL has recently expanded the GSM Mobile capacity and both in Delhi and Mumbai by 4 lakhs lines. MTNL has seen tremendous growth in Mobile subscribers in the last 5 months. The mobile subscriber base has grown from 3.6 lakhs at the end of 2003-04 to about 9.9 lakhs as on date. Keeping in view, the highly competitive market, the concern of Standing Committee is noted and MTNL has taken all possible steps to expand the capacity in introducing new services and increase its market share. MTNL is planning to expand the net capacity by one million in the current year and 4.7 million by December, 2004. MTNL has also introduced a broad band service on fixed lines with a capacity of approximately 3.5 lakh lines which will be expanded by 8 lakh lines. The service is based on one of the latest technologies (ADSL 2+) and is expected to prevent churn in fixed lines as well as increase the average revenue per line.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 46)

ITI Ltd.

The Committee are deeply perturbed to note the lack of a clear strategy from ITI towards a healthy and farsighted revival of this national institution. There does not seem to be any clarity on the choice of product mix nor plans for the optimum utilisation of the capacities of its various plants and unfortunately there is evidence of a clear indifference to its current pathetic state of affairs.

Action Taken by Government

The Company had taken action for infusion of new technology for GSM, CDMA, IP Tax/SSTP etc. for rationalization of products and growth at the respective units.

The Company had identified Unit which required to be closed to bring about better utilisation of the infrastructure and viability of the products. Accordingly, the Plant at Electronic City, Bangalore was closed down and merged with Bangalore Complex factory. The Company has initiated the following actions for the product rationalization to run all its Plants located at different locations and utilize the existing infrastructure:

- a. C-DOT AN RAX production consolidated at the Bangalore Plant.
- b. All CDMA infrastructure production concentrated at the Bangalore Plant.
- c. All Optical transmission production including DLC/DWDM concentrated at Naini Plant.
- d. Telephone instruments centralized at Naini/Srinagar Plants.
- e. SIM manufacturing at Palakkad Plant.
- f. Broadband equipment such as ADSL at Naini Plant.
- g. All TAX equipment including IP TAX concentrated at the Palakkad Plant.
- h. All Power System requirements and mechanical items manufacturing concentrated at Rae Bareli Plant.
- i. C-DOT SBM & MAX-XL production consolidated at Mankapur.
- j. New GSM Infrastructure manufacturing located at Mankapur and Rae Bareli Plants.

Emphasis has been made to allocate new products to utilize the existing infrastructure. ITI is investing in modernizing the infrastructure at Bangalore and Rae Bareli to make them ready for manufacturing new generation products. However, the new generation products require far less manpower and utilize sophisticated automated machines for both assembly and testing.

The Company has been continuously making efforts for growth in production. However, the competition has resulted in reduction in the prices of products. Even though the company has been generating high production, in physical terms, the increase in turnover has not been significant thereby reducing contribution. The projections for current year envisage Rs. 3700/- crores turnover and it is expected to cross Rs. 4000/- crores in future years.

ITI's Revival Plan has brought in clarity to bring about growth at its individual Plants. As manufacturing was the key to utilisation of resources and higher value addition, major emphasis has been made on technology infusion for manufacture of mobile communication products such as GSM & CDMA. Efforts have also been made to manufacture auxiliary sub-systems required for the above technology networks such as SMPS, Towers, Shelters, etc. Technology for manufacturing GSM infra equipment is under induction at two Plants viz. Mankapur and Rae Bareli. Each will have a manufacturing capacity to produce more than 3 million lines. Similarly, a capacity for 1 million lines on CDMA infrastructure equipment has also been planned at the Bangalore Plant. Technology infusion has also been planned for new generation TAX and Signalling Transfer Points at Palakkad Unit. The manufacture of SIM cards has been achieved for increased capacity at Palakkad Plant. ITI plans to manufacture and do networking for all Broadband services in both optical transmission and DSL based services. The manufacturing will be executed at Naini Plant.

The Company expects to continuously upgrade the products. Some of the new products ITI is focusing on are:

- a. Infrastructure for Broadband DSL equipment.
- b. Broadband VSAT in Ku Band for BSNL.
- c. New Generation Switch mode power supplies.
- d. Banking Automation equipments.
- e. Energy Saving Devices for Exchanges.
- f. Requirement of fuses for Defence.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 47)

The Committee note that the Budgetary allocation to ITI for the financial year 2004-2005 was Rs. 120 crores, out of which the Company could spend Rs. 22.40 crores. Earlier also in the years 2002-2003 and 2003-2004 the expenditure was much below the provisions made in the Domestic Budgetary Support. The turnover of the industry last year was Rs. 1,253 crores and for this year it may touch Rs. 1,600 crores. The Committee are informed that this turnover is based on a 40% utilisation of the capacity of the Plants. The Committee further note that there are two reasons for the shortfall in the turnover. One is that the prices have fallen by over 50% in all the products ITI has manufactured and the other is delays in execution of orders. The lesser capacity utilisation of the Plant is stated to be because ITI is doing more of trading than manufacturing and the delays are purely bad management. The Committee are of the opinion that more thrust is being given to the revival of the six Plants under ITI than on their optimum capacity utilisation. The Committee feel that ITI should have clear strategies and more effective response to market demands for effective redeployment of manpower, optimum utilisation of capacity, choosing right product mix and having technological arrangements with more viable partners with greater potentials. For all this, the committee feel that IIT should infuse fresh engineering management and scientific talent from premier institutions of India. The Committee feel that all these efforts should culminate in branding ITI as a premium telecom product manufacturer.

Action Taken by Government

I. The provision for the capital outlay during the years 2002-03, 2003-04 and 2004-05 is tabulated as below:

(Figs. in Rs. Crores)

Year	Budgeted expenditure	Annual expenditure
2002-03	72	31.72
2003-04	70	10.86
2004-05	120	61.93

The above outlay in the years 2002-03, 2003-04 and 2004-05 were approved without any budgetary support from the Government and the required funds were to be generated from the Company's own resources. The Company has been continuously incurring losses during these years. Therefore, it has not been possible for the Company to

generate the full required funds for the budgeted capital expenditure resulting in the less expenditure. However, the Government has provided a grant of Rs. 50 crore for the year 2004-05 which was released in December, 2004. Even though the expenditure incurred was Rs. 22.40 crore, the actual commitment and opening of LC was for Rs. 61.93 crore. The expenditure reflected is less as the terms of payment was deferred.

The major reasons for shortfall in these years:—

- a. Critical shortage of fund due to which expenditure was curtailed.
- b. Delay in approval for transfer of Agreement with M/s ZTE of China for CDMA systems.
- c. Non-viability of products planned due to fall in prices and demand for the product.

II. Low capacity utilisation reported is not on account of delays in execution of orders nor on account of ITI losing any opportunity of manufacturing. Due to migration from fixed line to mobile, there has been a reduction in order book resulting in poor capacity utilisation. Some of the products like IP, Next Generation Network etc., are being induct by the operators from year 2005-06.

Sl.No.	Product	ITI's Position
1	2	3
1.	New Technology Switching System	ITI manufactured and delivered against all the orders. Still, capacity utilisation was 229 KL out of the infrastructure capacity available of 1 ML (capacity built many years ago and landline switching requirements has come down)
2.	C-DOT Switches	The available orders of C-DOT were served. Even then, the capacity utilisation was approx. 10% (capacities created many years back and landline switching requirement has come down)

1	2	3
3.	SIM Cards	ITI has utilized capacity to the extent of 92%. ITI has also invested recently in increasing the capacity to prepare for higher demands for current year and the following 2-3 years.
4.	GSM	ITI has been a supplier. There has been no manufacturing in the past, but investment is done to start manufacturing of base stations in ITI factories to meet the demand in the current year and following 2-3 years.
5.	SDH Optical & DLC	<p>The product manufactured from the existing manufacturing lines have been supplied and capacity utilisation is about 15%. Due to major evolution in technology specifications, the old product is not supported by any further orders. ITI has gone for the new technology partnership and has presently supplied from sub-assembly procurement and doing final testing in ITI.</p> <p>ITI has also re-engineered its infrastructure to ready itself to take up manufacturing of cards of the changed technology.</p>
6.	CDMA Infrastructure	ITI has served all the available orders during the year and the materials of another order are also dispatched while the schedule delivery date is August 2005. However, ITI is doing integration and testing from sub-assemblies imported from technology partner.
7.	Transmission Microwave	ITI has dismantled the infrastructure for this product with requirement having come down and no orders in the current year. However, the released manpower/

useful work stations have been utilized for assembly and manufacture of Cor DECT, Defence Communication products for which separate capacity was not required to be built.

III. Circumstances leading to underutilisation of capacities due to trading/relying on SKD level integration so as not to miss out on market share are:—

- Manufacturing not viable due to large capital investment.
 - Short life span product (Eg. Cor DECT, DLC-PDH, VoIP, Payphones, ISDN phones, etc.) denying return on investment.
 - Uncertain price trend (Eg. SDH products).
 - Non-availability of reservation quota in some products from BSNL/MTNL.
- IV. ITI has made efforts to utilize its surplus manpower by retraining in new technology and deployment of people for installation and commissioning in the field.
- V. ITI is inducting engineering graduates at entry level. Accordingly, a large number of engineers (173) have been recruited on contract basis.
- ITI has also made efforts to invite volunteers from CDOT, BSNL, MTNL on deputation.

[Ministry of Communications and Information Technology
(Department of Telecommunications) O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation/Observation (Para No. 50)

(ii) Cold Calls

The Committee observe with disdain the wide ranging press coverage regarding unsolicited calls to mobile telephone users from multiple vendors including financial institutions, cellular operators etc. offering credit cards insurance policies, auto finance, mobile connections etc. This seeks not only to intrude the privacy of citizens but also

cause constant disturbance. The Committee, therefore, desire that the Government should explore the feasibility of enacting an appropriate law, scheme or regulation to protect mobile phone users from this avoidable harassment.

Action Taken by the Government

Legal opinion is sought for.

[Ministry of Communications and Information Technology
(Department of Telecommunications) O.M. No. 16-10/2005-B
dated 30th August 2005]

Comments of the Committee

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

CHAPTER IV

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

Recommendation/Observation (Para No. 2)

The Committee recognise the contribution of the Private Operators in increasing the tele-density of the country, particularly in urban areas. They also feel that the Private operators could have played a more active role in increasing the coverage in rural areas. The Committee would like to remind the Department that when UASL was not in existence, there was a roll out obligation for the Private Operators to cover the rural areas. The Private operators did not honour the contractual obligations and their performance in the rural areas was dismal. This had been highlighted by this Committee in their past several Reports. Now, consequent upon the private operators' migration to UASL, coverage of rural areas is optional. In order to avoid recurrence of inaction on the part of Private operators so far as rural telephony is concerned, the Committee would like the Department to take adequate measures to ensure that the Private operators provide the RCPs/PTICs in accordance with their contractual obligation. The Department should take stringent measures in case of any violation of that obligation.

Action Taken by the Government

Rural Community Phones, (RCPs) are to be provided in 46,253 villages where the population exceeds 2000 and there is no public telephone facility (PCO) other than a Village Public Telephone (VPT). The Agreements were signed on 30.9.2004 with the successful bidders M/s BSNL and M/s Reliance Infocomm Limited (RIL) to provide 24,794 and 21,459 numbers of RCPs respectively. These RCPs are to be provided within three years of the signing of the Agreements. The roll-out period has been specified as 20% of the total RCPs to be provided in the first year, 40% to be provided in second and balance 40% in third year of the Agreement. All the RCPs are likely to be provided in these villages by September, 2007.

A total number of 7,368 RCPs have been provided up to 31.5.2005 out of 9250 RCPs to be provided by the end of September, 2005.

M/s. BSNL has provided 6605 RCPs whereas M/s. RIL has provided 763 RCPs so far. The monitoring shall be carried out for both RCPs and PTICs as per the Agreement conditions.

[Ministry of Communications and Information Technology
(Department of Telecommunications) O.M. No. 16-10/2005-B
dated 30th August 2005]

Comments of the Committee

(Please see Paragraph No. 8 of Chapter I)

Recommendation/Observation (Para No. 35)

The Committee note that for the year 2004-2005, a target for 130 lakh lines of Switching Capacity, 100 lakh Direct Exchange Lines (DELs), 800 Kilo Circuit of TAX capacity, 18000 Route Kms of Optical Fibre and 5980 Nos. of Village Public Telephones (VPTs) was fixed for BSNL whereas the achievement as on 28 February, 2005 has been 45.42 lakh lines of Switching Capacity, 43.61 lakh Direct Exchange Lines (DELs), 437 Kilo Circuit of TAX, 12,477 Kms of Optical Fibre Cable and 6640 VPTs. The Committee are informed that by the year end *i.e.* 31 March, 2005, shortfalls are anticipated in Direct Exchange Lines and Switching Capacity due to large scale disconnections in fixed line to the tune of 31.58 lakh and non-availability of Fixed Wireless Terminals. Similar shortfalls are anticipated in North-East Region and Tribal Sub-Plan (TSP) areas due to the same reasons. The Committee are of the view that there should be prudent planning in getting the equipment in time, otherwise schemes are bound to suffer. Similarly, in order to arrest disconnections/surrender of fixed line telephones, BSNL should improve its services and handle customer grievances more efficiently apart from offering value added services on land lines. Adequate attention in this regard has also to be paid towards North-East Region and TSP areas, they being the special focus area in the Tenth Plan.

Action Taken by the Government

BSNL Achievement of Targets for the year 2004-05:—

- Target of 27.15 lakhs (3.15 lakhs from wired lines and 24.00 lakhs from WLL) of Switching Capacity was fixed for the year 2004-05, whereas 12.6 lakhs (7.94 from wired lines and 4.66 lakhs from WLL) were achieved during 2004-05.

- (a) Shortfall in WLL is due to
 - (i) Delay in commissioning of 10.26 lakhs MSC based CDMA WLL is due to delay in validation and supply of the equipment.
 - (ii) Tender for procurement of 10.5 lakhs WLL equipment is under evaluation.
 - (iii) 4.5 lakhs of WLL CDMA equipments ordered on M/s. ITI is expected to be supplied during the first quarter of 2005-06.
 - Target of 30.00 Lakhs (7.50 lakhs from wired lines and 22.50 lakhs from WLL) of DELs were fixed for the year 2004-05, whereas 10.93 lakhs (4.24 lakhs from wired lines and 6.69 lakhs from WLL) were achieved during 2004-05.
- (a) Shortfall in Landlines is due to large scale disconnection of DELs in major Circles (about 34.17 lakhs DELs got disconnected)
- (b) Shortfall in WLL is due to
 - (i) Non-availability of WLL FWT terminals which is mainly due to court case in procurement of FWT equipment.
 - (ii) Delay in commissioning of 10.26 lakhs MSC based CDMA WLL is due to delay in validation and supply of the equipment.
 - In order to ensure that the targets for 2005-06 are met, the following actions are taken:
 - (i) MSC based CDMA WLL equipment supplied during 2004-05 is under various stages of installation.
 - (ii) 4.5 lakhs of WLL CDMA equipment ordered on M/s. ITI and is expected to be supplied during the first quarter of 2005-06.
 - (iii) In addition, tender for procurement of 10.50 lakhs of equipment is already under process for which financial bid has been opened on 11.05.05.
 - (iv) 4.5 lakhs of FWTs on PSU (ITI) and 10.5 lakhs against tender quota have been ordered during 2004-05 and supply is expected by the second quarter of 2005-06.
 - (v) Case for procurement of 12 lakhs of IFWT is in process. Against this, APO issued for 3.6 lakhs of IFWT against PSU reserve quota on M/s. ITI.

- (vi) Case for procurement of 5.13 lakh lines add on order on 10.26 lakh lines of MSC based CDMA WLL is in progress.

The target fixed *vis-a-vis* the achievements in respect of OFC and TAX for 2004-05 are as given below:

Media	Target	Achievement
OFC	18000 R. Km	24465 R. Km
TAX	800 Kilo Circuits	802 Kilo Circuits

Thus, there was no shortfall in respect of execution of OF cable projects and installation of Trunk Automatic Exchanges (TAXs).

Regarding NE Region and Tribal Sub-Plan Areas, there was a shortfall. The details are given below:

Media OFC	Target	Achievement
Tribal Sub Plan Area	2422 R Km	1912 R Km
N.E. Region	2640 R Km	2001 R Km

The main reason for shortfall in North East Region and Tribal Sub-Plan Areas are difficult working conditions and insurgency.

BSNL has not only achieved the VPT targets set for 2004-05 including that of NE region but has exceeded the same and thus has provided 9301 VPTs against the set target of 5980 during the year 2004-05.

BSNL is entering into revenue sharing agreements with various content providing private companies for offering Voice based Value Added Services to its fixed line telephone subscribers. Agreements have been signed for providing Voice based Value Added Services on IVR platform with 9 service providers.

In addition to this, BSNL Management has recently approved revenue sharing on the content based services provided through the IN platform (Universal Access Number), which will facilitate a single number on PSTN, as well as on the GSM Network of BSNL.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Comments of the Committee

(Please see Paragraph No. 11 of Chapter I)

Recommendation/Observation (Para No. 37)

Of late, the Committee have been expressing their concern over BSNL's outstanding arrears of telephone bills. As on 31 December, 2004 the arrears stand at a staggering Rs. 3,639.58 crore out of which Rs. 3,243.09 crore pertain to basic services and Rs. 396.49 crore to mobile services. In basic services, the outstanding arrears in some Circles like Uttar Pradesh (East), Andhra Pradesh, Maharashtra, North-East-II, Calcutta, Bihar, Punjab, Gujarat, Karnataka, Madhya Pradesh etc. are quite alarming. Keeping in view the mounting arrears over the years, the Committee feel that although BSNL has stated to have been taking a number of measures to recover the outstanding dues, these measures have proved to be quite inadequate and ineffective. In view of the fact that BSNL, at its present financial health can ill-afford to prolong the recovery or write off such a huge amount, the Committee strongly urge the Company to explore other prudent measures to recover the dues.

Action Taken by Government

1. Basic services

In this regard it is submitted that the outstanding dues are not for a particular year but have accumulated over number of years.

A comparative study indicates that the cumulative outstanding (over 3 Months) w.r.t. cumulative ABF from 90-91 to 2004-05 is less than 2% (1.55%) which is a remarkable achievement by any means keeping in view the size and operations of BSNL which are spread throughout the country.

The detailed year wise break up of the outstanding of Rs. 3243.09 crores as on 31.12.04 is as under:

94-95	95-96	96-97	97-98	98-99	99-00
206.84	72.72	85.96	110.92	148.40	184.47
00-01	01-02	02-03	03-04	04-05	
308.18	412.13	439.45	724.17	549.85	

An analysis of the same indicates that it is not a drastic accumulation over a short period of time but a gradual accumulation of outstanding dues over a number of years due to non-payment of dues by some customers.

However, BSNL's 6th months Collection Efficiency has improved to 96.30% against 95.12% of last year and the outstanding dues are less than 2% of its cumulative billing as pointed out in Para-2 above.

Moreover, all out efforts are being made to reduce outstanding dues. Following measures have been introduced for reduction of outstanding dues:

1. Every year targets for liquidation of outstanding dues for different billing periods for each Circle/Metro District are fixed and reviewed regularly.
2. Circles have been addressed to ensure timely disconnection of telephones if bills remain unpaid beyond pay-by-date. Thirty five (35) days time limit for disconnection of telephones due to non payment, has been fixed.
3. Circles are addressed periodically to make all out efforts to get the outstanding dues liquidated. The senior officers closely monitor the progress in this regard.
4. As soon as the phone is disconnected for non-payment of telephone bills, after waiting for 3 months, the case is finalized. If the outstanding can be adjusted against Deposit, it is adjusted & the balance deposit is refunded to the customer. If outstanding is more than the deposit; the balance outstanding amount after adjusting deposit is transferred to pursuit cell for recovery. Legal notice is given to the defaulters and Recovery Cell etc. pursue the case.
5. Instructions have been issued to the circles to hold meeting of liquidation boards and High Power Committees on time and give suitable directions for recovery.
6. Civil suits are also being filed against defaulters, if outstanding amount is more than Rs. 25,000.
7. The State Governments have been requested to amend the Land Revenue Act so that the telephone bill defaulter is also treated as land revenue defaulter.

8. BSNL Headquarters has authorized Heads of Circles to appoint Private Recovery Agents etc. on commission basis to assist BSNL in recovery. State Governments have also been taken into confidence to assist BSNL in recovery of outstanding dues.

As a result of these measures the outstanding dues which stood at Rs. 3243.09 crores as on 31.12.04 have been reduced to Rs. 3089.11 crore as on 31.03.05.

2. Mobile services

The following measures have been proposed to recover the outstanding dues in mobile services.

1. Private Recovery Agents have been appointed on commission basis as in the case of basic services.
2. The services of the State Government Departments viz. Police, Revenue are being utilized.
3. Legal suits against the defaulters have been filed and are periodically reviewed.
4. Write-off policy is under finalisation.

Further to the above the following action is taken to curb the increase in outstanding.

1. Address verification of the customers is being ensured.
2. ISD services are provided after proper verification of the details about the applicant with the personal approval of the Head of the SSA.
3. The threshold monitoring mechanism has been put in place through which usage of the customers is closely monitored. Whenever a customer exceeds the prescribed threshold fixed for him, interim bills are issued and their payment watched. In case of non-payment, services will be withdrawn immediately.
4. SMS is issued on the 18th day from date of issue of bill to the customers if the payment is not received by then.
5. Time schedule for disconnection of outgoing and incoming facility has been prescribed as below:

Disconnection of Outgoing facility	21st day from the date of issue of bill
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Disconnection of Incoming facility 26th day from the
date of issue of bill

6. Circle-wise target for liquidation of outstanding dues has been prescribed.
7. All out efforts are being made to recover heavy outstanding even by resorting to the adjustment of outstanding bills of defaulting customers of mobile services against the available deposits with his basic service connection.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Comments of the Committee

(Please see Paragraph No. 17 of Chapter I)

Recommendation/Observation (Para No. 43)

The Committee are informed that in a period of 19 years MTNL has accumulated arrears of Rs. 1,200 crore. Out of Rs. 1200 crore, Rs. 700 crore are more than a year old. As for the mobile services the arrears are to the tune of Rs. 112 crore out of which Rs. 80 crore is more than two years old. For the last one year the figure is about Rs. 32 crore, out of which Rs. 15 crore is less than three months old. The Committee have also been informed that MTNL has booked agents to recover old dues and they pay 20% commission to these agents for whatever recoveries they make. Incidentally, these agents have not proved to be very successful in effecting the recoveries. The Committee are further informed that various measures are being taken by them to avoid having larger defaulters in the future. One such measure is disconnection, wherein, the amount of arrears is not allowed to mount up due to disconnection. MTNL's fear in disconnection is that the consumer is free to move to other operators which is a loss to MTNL. The Committee note that in some cases files of defaulters are missing and therefore due to lack of details the amount could not be recovered. The Committee are of the opinion that the appointment of agents has not proven to be a very effective method of recovering amounts. Not letting the arrears amount go beyond a certain limit is the correct step. The Company should have an in-built system of recovery based on sound principles.

Action Taken by Government

The accumulated arrears of Rs. 1200 cr. pertain to a total period of 19 years of which more than Rs. 500 cr. is over 5 years old. The total revenue booked for the whole period worked out to about Rs. 65,000 cr. As regards the arrears relating to Mobile services, the main reason for accumulation is because of billing problems at the initial stage. However at the end of March 05, due to vigorous efforts, the total arrear for fixed and WLL connections have come down from Rs. 1224 cr. to Rs. 1163 cr. i.e. about Rs. 61 cr. recovered during the last one month. Efforts are being continued to reduce the outstanding further. MTNL has stated that no file of defaulters is missing an efforts are on to recover the outstanding from all defaulters. As advised by the Standing Committee, every effort is being made not to let the arrears amount go beyond a permissible limit. Though there is the risk that consumers may go to other operators, MTNL is disconnecting many telephones to realize outstanding dues.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Comments of the Committee

(Please see Paragraph No. 20 of Chapter I)

Recommendation/Observation (Para No. 44)

The Committee are aware that in any business there would be arrears but they feel that the efforts for recovering the arrears should be sincere and focused. The Committee have a feeling that the Company is not serious in the recoveries and therefore, it has now mounted upto Rs. 1,200 crore for landline connections and another Rs. 112 crore in the mobile services. In this context, the Committee disapprove CMD MTNL's statement that the outstanding arrear is a very small amount. On the contrary, it is a very large amount and therefore, the Committee strongly recommend that more concreted, targeted and focused efforts should be put in by MTNL to recover these amounts. The Committee hope that a better performance will be shown in this regard next year.

Action Taken by Government

While the accumulated outstanding amount of Rs. 1200 cr. includes very old outstanding which is more difficult to recover, all efforts are

being made to recover the outstanding. Due to regular pursuit of outstanding, the collections efficiency of the current billing is about 95%, inspite of a very competitive environment in which customers can easily obtain alternate connection from competitors. As recommended by the Standing Committee, extra efforts to recover the arrears is being undertaken to reduce the outstanding further.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Comments of the Committee

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

CHAPTER V

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

Recommendation (Para No. 3)

The Committee further desire that the Unified Licence (UL) which intends to provide all the telecommunications services under one umbrella may be introduced, as also recommended by TRAI, for the benefit of the subscribers as well as the service providers.

Action Taken by Government

The recommendations of TRAI are under examination in the Department.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation (Para No. 8)

Mobile telephony in rural areas from USOF

The Committee are given to understand that there has been a feeling of deprivation in the rural areas so far as mobile telephony is concerned for which an active debate is going on in the Department to fund mobile telephony from USOF. In this context, the Administrator, USOF has mooted a proposal wherein the lowest bidder will get the tower and get reimbursement of the cost of tower from the USF. Those who will share the Tower later, will get it practically at no cost. The Committee impress upon the Department to examine the issue in the right earnest and may consider the disbursement of USO fund to those operators who choose to meet the USO through mobile telephony.

Action Taken by Government

The issue of providing subsidy support from USOF towards shareable passive infrastructure for provision of Cellular services in rural areas is under examination and the proposal to amend the Indian Telegraph Act has been taken up.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation (Para No. 10)

Access Deficit Charges (ADC)

The Committee have been informed that under the Interconnection Usage Charges (IUC) regime, the rate of Access Deficit Charge has been revised downwards with effect from 1st February, 2005. Against this revised regime, MTNL has filed a petition in the TDSAT, although the main focus of the ADC regime has been BSNL. According to BSNL, the ADC amount to be paid to it by other operators, will be reduced by Rs. 1254 crore per year as a repercussion of the revised regime. But according to TRAI, the amount of ADC to be provided to BSNL has been estimated to be around Rs. 4954 crore a year which is comparable with the previous ADC estimation of Rs. 4,792 crore. MTNL has also stated that it will lose the ADC amount by Rs. 570 crore including Rs. 276 crore as direct ADC. In this context, the Committee feel that there are glaring mismatches in the estimations of TRAI and that of BSNL with regard to the impact of the revised ADC regime. Therefore, it needs to be reconciled.

Action Taken by Government

It is submitted that based on the recent traffic observation the expected ADC to be generated by BSNL from its own fixed services comes to about Rs. 1931 crores per annum and the ADC from BSNL's ceullar services is expected to be of the order of about Rs. 247 crores per annum. Thus, BSNL will be able to generate about Rs. 2178 crores of ADC per annum from its own subscribers.

The amount of ADC for the traffic to be received from other CMSPs, UASLs, NLDOs and ILDOs at the Points of Interconnect of BSNL network is expected to be about Rs. 1242 crores per annum and the ADC to be received from NLDOs and ILDOs for the traffic directly being terminated by them into the networks of other access providers is expected to be of the order of Rs. 1163 crores per annum.

Thus the total expected annual ADC to BSNL from all the sources comes to about Rs. 4584 crores per annum as against the annual amount of Rs. 4954 which has been estimated by TRAI to be provided to BSNL vide TRAI's IUC Regulation No. 409-8/2004-FN dated 06.01.2005. The annual shortfall in the recovery of ADIC to BSNL, as per the current traffic trends, is expected to be of the order of Rs. 370 crores (4954-4584).

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation (Para No. 11)

Another concern of the Committee is that there is a possibility of BSNL and MTNL having to pass on the burden of anticipated decrease

in ADC to their consumers in terms of increase in rentals or decrease in the pulse rate etc. On the other hand, the other operators who have been paying ADC to BSNL/MTNL may pass on the benefit of the revised regime to their subscribers which in turn may result in loss of subscribers to BSNL/MTNL.

Action Taken by Government

Due to increase in traffic there seems to be very small shortfall in the recovery of ADC to BSNL. Therefore, BSNL does not have any plan to increase the rental or decrease the pulse rate to its subscribers to compensate this loss of ADC and there will not be any loss of subscriber base on these accounts.

At present tariff in urban areas are under forbearance *i.e.* there is no regulated tariff, so far there has been no increase in rentals. However MTNL has stated that, "Unless the TRAI reconsider the January, 05 ADC Resolution and restore the earlier rates, it is very difficult for MTNL to maintain the revenue growth as its profit is affected very badly. MTNL in that case has no alternative except to increase the tariff. Due to such increase, it is likely that the subscribers of MTNL may go to private operators whose tariffs may become lower if they pass on the benefit of reduction of ADC to the subscribers."

MTNL has filed a petition against the regulation of TRAI and the matter is sub-judice.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation (Para No. 12)

Nevertheless, the Department has to look into all these aspects in consultation with TRAI which proposes to review the regime within six months of implementation. The Committee desire that they may be apprised of the decision of TDSAT in the petition filed by MTNL against the revised IUC regime.

Action Taken by Government

Issuing/review of Interconnection Usage Charge (IUC) by the Telecom Regulatory Authority of India (TRAI) is a continuous process.

At present Telecom Disputes Settlement Appellate Tribunal (TDSAT) has not announced the judgment in the petition filed by MTNL against the revised IUC regime.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

Recommendation (Para No. 13)

Merger of BSNL and MTNL

The Committee observe that a consortium of consultants has been appointed to assist the Government in the restructuring of BSNL and MTNL. Upon the examination of the Report of the consultants by an internal Committee of the Department, three viable options for further examination have been arrived at. One is BSNL acquiring Government share of MTNL and then going for Initial Public Offer (IPO) route; the second is the formation of a Holding Company with BSNL and MTNL as part of that with certain common branding, similar, tariff, same strategy; and the third is that BSNL and MTNL have been given 15 days time to suggest any amendment to the first two options. The Committee find that both BSNL and MTNL prefer having a national footprint and synergy in their operations. However, complexities in the nature of salary and wage disparity, pension disparity and stamp duty obligations are there. Therefore, the issue is still under examination and a concrete picture would emerge in about three months time. In the opinion of the Committee, the issues involved need a careful examination as the basic objective is to bring about synergy between the two Companies, improve their competitive position and enhance value for all the stakeholders and protect their interests.

Action Taken by Government

The Consortium of consultants led by M/s ICICI securities was entrusted with the task of aiding and assisting DoT in restructuring of MTNL and BSNL, on 18.11.2004. The restructuring exercise is aimed at bringing about higher synergy in their operations, stronger competitive positioning and better value proposition for all stakeholders. The consultants have submitted report on the first phase of assignment of 28th February 2004, which comprised of identification of the most suitable option for restructuring along with the action plan, road map and implementation schedule. The report is under examination.

[Ministry of Communications and Information Technology/
Department of Telecommunications O.M. No. 16-10/2005-B
dated 30th August 2005]

NEW DELHI;
21 December, 2005
30 AgraHayana, 1927 (Saka)

M.M. PALLAM RAJU,
Chairman,
Standing Committee on
Information Technology.

ANNEXURE I

MINUTES OF THE FOURTEENTH SITTING OF THE STANDING
COMMITTEE ON INFORMATION TECHNOLOGY (2005-06)

The Committee sat on the 20th December, 2005 from 1600 hrs. to 1730 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri M.M. Pallam Raju — *Chairman*

MEMBERS

Lok Sabha

2. Shri Nikhil Kumar Chaudhary
3. Shri Mani Cherennamei
4. Shri Sanjay Shamrao Dhotre
5. Shri Kailash Joshi
6. Shri P.S. Gadhavi
7. Shri Chander Shekhar Sahu
8. Shri K.V. Thangka Balu

Rajya Sabha

9. Shri Vijay J. Darda
10. Shri Ashwani Kumar
11. Shri Dara Singh
12. Shri K. Rama Mohana Rao
13. Shri Motiur Rahman

SECRETARIAT

1. Shri P. Sreedharan — *Joint Secretary*
2. Shri Raj Shekhar Sharma — *Director*
3. Shri K.L. Arora — *Under Secretary*

ANNEXURE II

[Vide Paragraph No. 5 of Introduction]

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE
SEVENTEENTH REPORT (FOURTEENTH LOK SABHA)

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

Para Nos: 4, 6, 9, 14, 15, 17-22, 24-26, 28, 29, 33, 34, 41, 42, 45, 48 & 49

Total 23

Percentage 46%

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

Para Nos:- 1, 5, 7, 16, 23, 27, 30, 31, 32, 36, 38-40, 46, 47 & 50

Total 16

Percentage 32%

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

Para Nos: 2, 35, 37, 43 & 44

Total 5

Percentage 10%

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

Para Nos: 3, 8, 10-13

Total 6

Percentage 12%