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

**FOURTEENTH LOK SABHA**

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

**DEMANDS FOR GRANTS  
(2006-2007)**

**THIRTIETH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*July, 2006/Sravana, 1928 (Saka)*

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(2006-2007)

*Presented to Lok Sabha on .....*

*Laid in Rajya Sabha on .....*



LOK SABHA SECRETARIAT  
NEW DELHI

*July, 2006/Sravana, 1928 (Saka)*

C.I.T. No. 152

*Price* : Rs. 95.00

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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Eleventh Edition) and printed by Jainco Art India, New Delhi-110 005.

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

Shri Nikhil Kumar — *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
7. Shri P. Karunakaran
8. Dr. P.P. Koya
9. Shri P.S. Gadhavi
- \*\*\*10. Vacant
11. Smt. Nivedita Sambhajirao Mane
12. Smt. P. Jayaprada
13. Shri G. Nizamuddin
14. Shri Sohan Potai
15. Shri Ashok Kumar Rawat
- \*\*\*16. Vacant
17. Shri Vishnu Sai
18. Shri Tathagata Satpathy
19. Shri K.V. Thangka Balu
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21. Shri Ram Kripal Yadav

*Rajya Sabha*

22. Shri Vijay J. Darda
- \*\*\*\*\*23. Shri Rajeev Chandrasekhar
- \*\*\*24. Vacant
- \*\*\*\*\*25. Shri Praveen Rashtrapal

26. Shri Dara Singh
- \*\*27. Shri A. Vijayaraghavan
28. Shri N.R. Govindrajar
- \*\*\*\*29. Shri Ravi Shankar Prasad
30. Shri Motiur Rahman
31. Shri Ekanath K. Thakur

SECRETARIAT

1. Shri P. Sreedharan — *Joint Secretary*
2. Shri Raj Shekhar Sharma — *Director*
3. Shri K.L. Arora — *Under Secretary*
4. Shri D.R. Mohanty — *Executive Officer*

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\* Appointed *w.e.f.* 10.5.2006.

\*\* Nominated *w.e.f.* 27 September, 2005.

\*\*\* Vice Shri Ajay Maken, Shri Chandra Sekhar Sahu, Shri Ashwani Kumar and Dr. Akhilesh Das have been appointed as Ministers of State *w.e.f.* 29 January, 2006.

\*\*\*\* Nominated *w.e.f.* 6.6.2006.

\*\*\*\*\* Nominated *w.e.f.* 8.6.2006.

## INTRODUCTION

I, the Chairman Standing Committee on Information Technology (2005-06) having been authorised by the Committee to submit the Report on their behalf, present this Thirtieth Report on Demands for Grants (2006-07) relating to the Ministry of Communications and Information Technology (Department of Telecommunications).

2. The Standing Committee on Information Technology (2005-2006) was constituted on 5 August, 2005. One of the functions of the Standing Committee, as laid down in Rule 331 E of the Rules of Procedure and Conduct of Business in Lok Sabha is to consider Demands for Grants of the concerned Ministry/Department and make a Report on the same to the House.

3. The Committee considered the Demands for Grants pertaining to the Ministry of Communications and Information Technology (Department of Telecommunications) for the current year *i.e.*, 2006-2007, which were laid on the Table of the House on 13 March, 2006. The Committee took evidence of the representatives of the Department of Telecommunications on 30 May, 2006.

4. The Report was considered and adopted by the Committee at their sitting held on 30 June, 2006.

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

6. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in Part-II of the Report.

NEW DELHI;  
18 July, 2006  

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27 Asadha, 1928 (Saka)

NIKHIL KUMAR,  
Chairman,  
Standing Committee on  
Information Technology.



## REPORT

### **I. Introductory**

The Department of Telecommunications (DoT), which forms a part of the Ministry of Communications and Information Technology, are responsible for Policy formulation, performance review, monitoring, international co-operation, grant of licenses to Operators for providing Basic and Value Added Services in various Telecom Circles as per the approved policy of the Government. The Department also allocate frequency and monitor radio communication in close coordination with international bodies like International Telecommunication Union (ITU), Geneva and Asia Pacific Telecommunity (APT) Bangkok. The Department are also responsible for enforcing wireless regulatory measures and monitoring the wireless transmission of all the users in the country.

2. The Budget Estimates of the Department of Telecommunications (DoT) include the requirements of the Secretariat of the Ministry, Directorate of DoT and its field offices including the offices of the Controller of Communication Accounts (CCA), Wireless Monitoring Organisation (WMO), International Cooperation, Telecom Regulatory Authority of India (TRAI), Telecom Dispute Settlement and Appellate Tribunal (TDSAT), Centre for Development of Telematics (C-DOT), Office of the Administrator, Universal Service Fund (USF) and Telecom Engineering Centre (TEC) as well as compensation to the telecom Public Sector Undertakings (PSUs) and pension payments.

### **II. Implementation Status of Recommendations Contained in the Seventeenth Report of the Committee on Demands for Grants (2005-06) of the Ministry of Communications and Information Technology, Department of Telecommunications**

3. The Standing Committee on Information Technology presented their Seventeenth Report on Demands for Grants (DFG) relating to the Department of Telecommunications for the year 2005-2006 on 21st April, 2005. The Twenty Seventh Report on Action Taken by the Government on the recommendations contained in the Seventeenth Report on DFG (2005-2006) was presented to Lok Sabha on 23rd December, 2005. Out of 50 recommendations, 23 recommendations (Recommendations at Sl. Nos. 4, 6, 9, 14, 15, 17-22, 24-26, 28, 29, 33, 34, 41, 42, 45, 48 & 49) were accepted by the Government. The Committee did not desire to

pursue 16 recommendations (Recommendations at Sl. Nos. 1, 5, 7, 16, 23, 27, 30, 31, 32, 36, 38, 39, 40, 46, 47 & 50) as the reply given by the Government was satisfactory. The reply of the Government in respect of 5 recommendations at Sl. Nos. 2, 35, 37, 43 & 44 was not accepted by the Committee. The Committee reiterated these recommendations in their Twenty-Seventh Report. Besides, the Committee had given their comments on recommendations at Sl. Nos. 36 & 50. Replies to six recommendations (3, 8, 10, 11, 12, & 13) were of interim nature. The Twenty-Seventh Report was sent to the Ministry for furnishing Action Taken Statement on the recommendations made by the Committee. The Minister of Communications and Information Technology made a statement in Lok Sabha on 26th December, 2005 regarding the status of implementation of the recommendations contained in the 17th Report of the Committee on Demands for Grants (2005-2006) under Direction 73A of the Directions by the Speaker, Lok Sabha. The information made available to the Committee in regard to implementation of recommendations made in their Report has been critically analyzed and is appended in the form of Annexure-I.

### III. DoT Budget

4. The Plan and Non-Plan provision made in the Revenue and the Capital Sections of the DoT Budget for the year 2006-2007 is as under:—

#### Demand No. 14

(Rs. in crore)

	Plan	Non-Plan	Total
<b>Revenue Section</b>			
Voted	112.61	4452.85	4565.46
Charged	—	—	—
<b>Capital Section</b>			
Voted	101.00	—	101.00
Charged	—	—	—
Grand Total Revenue plus Capital	213.61	4452.85	4666.46

5. The Plan of the Telecom Sector is mainly executed by its Public Sector Undertakings (PSUs). The approved Plan Outlay of the Telecom Sector in the year 2005-2006, including its PSUs, was Rs. 11,801.01 crore with Budgetary Support of Rs. 168.61 crore. In the Revised Estimates, the Plan Outlay was increased to Rs. 17,143.40 crore with Budgetary Support of Rs. 102 crore.

6. The approved Plan Outlay of the Telecom Sector for the year 2006-2007 is Rs. 19509.31 crore including Budgetary Support of Rs. 218.61 crore. The Plan Outlay includes a sum of Rs. 21.86 crore earmarked for the North-East Region.

7. The Statement of Plan Outlay of the Telecom Sector for the 2006-2007 (BE) is as under:—

**Statement of Budget Estimates 2006-2007**

**Ministry of Communications & IT, D/o Telecommunications**

(Rs. in crore)

Sl.No.	Schemes/ Programmes	Annual Plan 2006-07 (BE) Plan Outlay			Outlay Earmarked for North-East 2006-2007 (BE)
		BGS	IEBR	Total	
<b>Central Sector Schemes</b>					
1.	BSNL	—	16931.00	16931.00	—
2.	MTNL	—	2298.00	2298.00	—
3.	ITI	—	—	0.00	—
4.	WMO	9.00	—	9.00	1.00
5.	WPC	15.61	—	15.61	2.00
6.	TRAI	3.25	—	3.25	—
7.	TDSAT	0.75	—	0.75	—
8.	TEC	1.00	—	1.00	—
9.	C-DOT	82.00	61.70	143.70	16.00
10.	UMA&N	1.00	—	1.00	—
11.	TETC	5.00	—	5.00	—
12.	TAT	1.00	—	1.00	—
13.	DS	100.00	—	100.00	2.86
Total		218.61*	19290.70	19509.31	21.86

\*Include Rs. 5 crore towards civil works which will be shown as grant under Ministry of Urban Development.

8. Comparing the BE & RE Plan Outlay of the Telecom Sector and Budgetary Support during the year 2005-2006, the Committee desired to know the reasons for reduction in the Budgetary Support at the RE stage although the Plan Outlay was increased by approximately Rs. 6,000 crore. In reply, it was stated that the reduction in the Budgetary support for the Plan Outlay of 2005-06 at RE stage was mainly on account of reduction of Plan Outlay for WPC, WMO and C-DoT. The reduction in the Plan Outlay support for WPC during RE 2005-06 was due to delay in completion, testing and delivery of different components of World Bank Project during the financial year. This balance amount has been requested as Plan Budgetary support for WPC Wing under BE 2006-07. Similarly, the reduction in the plan for WMO was due to delay in acquisition of land as well as completion of civil works. However, the increase in Plan Outlay was on account of increase in BSNL Plan Outlay financed by increased IEBR.

9. The Committee then enquired as to whether any Projects/ Schemes suffered or were abandoned due to the reduction in the Budgetary Support. It was stated that no project/scheme was sacrificed due to reduction in the budgetary support because the reduction was on account of delay in completion, testing and delivery of different components of the ongoing World Bank Project.

10. The Committee wanted to know whether the Budgetary Support of Rs. 218.61 crore as projected in the 2006-2007 BE would be sufficient for the Department to carry out the Projects including the new ones *i.e.* setting up of Telecom Testing and Security Certification Centre (TETC), Technical Assistance, Undersea Cabling between the Mainland and Andaman & Nicobar (UM&AN) and OFC based network for Defence services. In reply it was stated that the Budgetary Support of Rs. 218.61 crore as projected in the 2006-2007 BE included four new projects for which only a token provision has been made during the year 2006-2007.

11. As regards the amount earmarked during 2006-2007 for the expansion and development of Telecommunications services in the North East Region, the Committee have been informed that a sum of Rs. 21.80 crore has been earmarked *i.e.* 10% of Gross budgetary support (Rs. 218.61 crore) for the expansion in North East Region. Further, a provision to the tune of Rs. 950 crore has also been made by BSNL for the expansion of NE Region for 2006-07. BSNL has planned to provide net switching capacity of 3.85 lakh with 3.5 lakh of DELs in NE Region. Transmission network is also planned to be expanded by providing 4300 RKM of OFC and 23 nos. of Satellite Stations.

12. The Committee have been informed that the Department had sought Rs. 2729.87 crore during 2005-2006 as Supplementary Grants for transfer to USO Fund, providing compensation to Telecom Service Providers for rural telephony, reimbursement of license fee and spectrum charges to BSNL etc. In this context, the Committee desired to be apprised of the response of the Ministry of Finance and the alternative arrangements that were being contemplated in the event of reduction in the requested amount. In reply, it was stated that the Department had sought for Rs. 2729.87 crore as Supplementary Grants during the year 2005-2006 out of which Rs. 1729.87 crore only was provided. The additional demand in respect of transfer to USO Fund/compensation to Service Providers have not been agreed to in full.

13. It was further stated that the committed liabilities on account of payment of compensation to Service Providers was carried forward to the next year and the requirement included in the Supplementary Grants/Revised Estimates.

#### **IV. Universal Service Obligation (USO)**

14. The New Telecom Policy, 1999 (NTP '99) envisaged provision of access to basic telecom services to all at affordable and reasonable prices. The resources for meeting the Universal Service Obligation (USO) shall be generated through a Universal Service Levy (USL) which would be a percentage of the revenue earned by the Operators under various licences. The Universal Service Levy presently is 5 per cent of the Adjusted Gross Revenue (AGR) earned by all the Operators except pure value added services like internet, voice mail, e-mail etc.

15. The activities covered and in hand under the Universal Service Support Policy (USSP) which came into effect from 1 April, 2002 were stated to be as under:—

##### **(a) Activities Covered**

- Nearly 5.30 lakh Village Public Telephones (VPTs) are already receiving support towards Operation and Maintenance covering more than 90% of the villages with VPTs.
- For the remaining uncovered eligible 66,822 villages, agreements have been signed with BSNL who emerged as the successful bidder in the tender for which BSNL and M/s Bharti had participated. Insurgency prone villages and those with population less than 100 are not to be covered as per present Policy. Support is extended towards both

Capital as well as operational expenses for a period of five years from the date of installation of the VPTs. These villages will be covered by 2007 in a phased manner. As on 31.12.2005 VPTs have been provided in 17,182 uncovered villages.

- Support is also being extended for replacement of 1.86 lakh Multi-Access Radio Relay (MARR) technology VPTs, 1,38,112 of which have already been replaced.
- Agreements have also been signed with M/s BSNL and M/s Reliance Infocom Ltd. on 30.9.2004 for installation of 46,253 Rural Community Phones (RCPs) in villages with a population more than 2000. These are the second Public Telephones which will be provided in a phased manner by 2007. 19,175 RCPs (BSNL-13056 & RIL-6119) have been provided up to 31.12.2005.

**(b) Individual Access**

- Support has been extended to nearly 91 lakh Rural household Direct Exchange Lines (RDELs) installed prior to 1.4.2002 towards the differential between the TRAI prescribed rental and the rental charged by the Service Provider. The support is for the limited period of 1.4.2002 to 31.1.2004.
- Agreements were signed in March 2005, for providing new Rural household DELs in the identified 1685 net cost positive Short Distance Charging Areas (SDCAs) with BSNL (1267 SDCAs), Reliance Infocom Ltd. (203 SDCAs), Tata Teleservices (172 SDCAs) and Tata Teleservices (Maharashtra) Ltd. (43 SDCAs). A total of 1,97,242 RDELs have been provided in these identified SDCAs after 1.4.2005 (32,701-RIL upto 31.12.2005 & 1,64,541-BSNL as on 31.10.2005).
- Subsidy at the same rates is also applicable to the RDELs in the 1685 SDCAs that have been installed between 1.4.2002 to 31.3.2005, agreements for which have already been signed with M/s BSNL and M/s RIL. The subsidy claims for 18.65 RDELs have been received from BSNL & RIL for this period.

**(c) Activities in hand**

- For the data access facilities *viz.* Tele Information Centres (PTICs), initially a pilot project covering 200 villages with High Speed Tele-Information Center (HPTICs) is under consideration.

- Subsidy support from USOF towards shareable passive Infrastructure for Cellular Mobile Services in Rural/Remote areas is under examination.

16. The Committee desired to be apprised of the contribution of the service providers towards USO Fund since 1st April, 2002 and asked whether the funds so collected would be sufficient to support provision of VPTs, RCPs, PTICs, rural household DELs as well as replacement of MARR based VPTs. In reply, it was stated that so far Rs. 8,796.40 crore has been collected from various service providers towards USL, the yearwise breakup being Rs. 1,653.60 crore in 2002-2003, Rs. 2,143 crore in 2003-2004, Rs. 3,457.73 crore in 2004-2005 and Rs. 1,542.07 crore in 2005-2006 (upto October, 2005).

17. It was further stated that the funds collected on account of the USO levy would be sufficient to support provision of VPTs, RCPs, PTICs, RDELs and replacement of MARR based VPTS, if allotted to the USO Fund.

18. As regards the amount of Universal Access Levy collected, the following information was also brought to the notice of the Committee:—

- (i) The amounts of Universal Access Levy is determined @ 5% of the Adjusted Gross Revenue and is arrived at based on available revenue data of operators.
- (ii) Figures in respect of BSNL, MTNL are presented in the lump sum, as the amounts were also received in lump sum in the first instance. Following Annual License Fee assessment, it has been found that License Fee realized for 2001-02, 2002-03 and 2003-04 was in excess and also the amounts allocatable to Universal Access Levy have undergone marginal changes, which has not been done in the current presentation for the sake of consistency in presentation.
- (iii) The summary presentation is exclusive of Universal Access Levy for PMRTS operators where rate of revenue share being 5%, the entire amount is allocable to Universal Access Levy. The amounts are however small and is about Rs. 1 crore, for each of the financial years 2002-03 to 2004-05.

19. Regarding the yearwise budgetary allocation to the Universal Service Fund since 2002-2003, the following information was furnished to the Committee.

**Allocation of Funds year-wise**

(Rs. in crore)					
Financial year	2002-03	2003-04	2004-05	2005-06	2006-07
Budget Estimates	—	100.00	2700.00	5000.00 **	3500.00
Revised Estimates	300.00*	200.00	2700.00	2660.00	
Funds allocated & actually utilised (Rs. in Crs.)	300.00*	200.00	1314.585	1750.00***	

\*Allotted under Final Supplementary Grants.

\*\* (i) The first estimates of subsidy for RDELs were based on the benchmark costs, which were reduced through the competitive bidding.

(ii) Out of 41 lakhs RDELs installed from 1.4.2002 to 31.3.2005 in the rural areas it was estimated that 26 lakhs were installed in the identified SDCA. However, claims for only 18.65 lakhs such RDELs are received.

(iii) It was estimated that support to 22 lakhs new RDELs could be extended in 2005-06. Estimate was revised to 5 lakhs based on BSNLs annual plan of 14 lakh new RDELs. However, based on the actual performance of all three operators for first two quarters the estimates revised to 3 lakhs new RDELs.

\*\*\*Will be utilised fully.

20. A perusal of the above statement revealed that during the year 2004-2005 (BE & RE) a sum of Rs. 2,700 crore was estimated for the USO Fund, whereas the actual allocation and utilisation was Rs. 1314.585 crore only. Similarly, in the 2005-2006 BE, Rs. 5000 crore was estimated to the Fund but the same was reduced to Rs. 2600 crore and the actual allocation and utilisation was Rs. 1750 crore only. In this context, the Committee desired to know the reasons for lower allocation of the estimated amount to the USO Fund both in 2004-2005 and 2005-2006. In reply, the Committee were informed that the estimates of Rs. 2700 crore for the year 2004-05 was based on the committed liabilities, claims in hand, expected liabilities during the year and the requirement of the fund to cover the front loaded subsidy for the DELs.

21. The BE for 2005-06 was based on estimated roll out of RDELs and the benchmark cost. However, at the RE stage it was revised due to lower roll out of RDELs and reduction in subsidy rate at the time of bidding. Against the RE of Rs. 2600 crore the utilization was Rs. 1766.85 crore limited to allocation. This has resulted in a carry over liability of about Rs. 750 crores as at the end of 2005-06. The subsidy claims for the last quarter of 2005-06 are not yet due and would be received from the operators by 30.04.2006.



22. So far as the targets for the year 2006-2007 under Universal Service Support Policy are concerned and the budgetary provision approved towards that, the Committee were informed that during 2006-2007, all the existing facilities covered under agreements with Universal Service Providers were to be maintained and subsidy support to be provided. It has further been stated that a provision of Rs. 1500 crore has been made in the Budget proposals for 2006-2007 against the estimated requirement of Rs. 3500 crore.

23. Asked to state the measures taken to bridge the gap of Rs. 2000 crore, it has been stated that for the shortfall in the budget allotment, requisition would be made for additional funds in the Revised Estimates for the year 2006-2007. If sufficient budgetary allocation is not made in the 2006-2007 RE also, the matter will be taken up with the Ministry of Finance through Secretary, DoT. As a last resort, the unpaid liability, if any, will have to be carried forward to the next financial year.

#### **V. Teledensity and Rural Telephony**

24. It was observed from a statement furnished to the Committee that as on 31 December, 2005, the overall teledensity, including public and private DELs, Cellular and WLL (both limited and fixed) of the country, stood at 11.32 per 100 population, the urban-rural break-up being 34.77 and 1.79 respectively.

25. In that context, the Committee wanted to know the reasons for which rural telephony has not kept pace with the impressive growth in urban connectivity and the measures contemplated to tap the immense rural potential for the growth and expansion of telecom network. In reply, it was stated that the precise reasons for which rural telephony has not kept pace with the impressive growth in urban connectivity were as under:—

- (i) Commercial unviability of providing communication infrastructure in rural areas.
- (ii) There is also lack of infrastructure coupled with irregular power supply and difficult topography.
- (iii) The rural teledensity as depicted today does not include mobile telephones in use in rural areas, since operators were not keeping segregated figures for rural mobile connections. Now operators are in the process of segregating these figures which will reflect the true teledensity which would be higher than the present figure of 1.80%.

Clarifying the point further during evidence, the Secretary, DoT stated as under:

“We are growing at the rate of five million lines per month. We are growing both in the urban and rural areas. There is a dichotomy here. We show 1.78 as tele-density in the rural areas. But, actually, it is much more. We show only 1.78 because somehow for various reasons, this has only the landlines and the fixed WLL have been taken into consideration for counting the telephones in the rural areas. There are actually many cell phones also in which case roughly the teledensity comes to approximately three per cent.”

26. As regards tapping the immense rural potential for the growth and expansion of telecom network, the Department in their written statement have stated that the following plans are contemplated:—

- (i) Provision of rural fixed line individual connections in 1,685 commercially unviable Short Distance Charging Areas (SDCAs) with support from Universal Service Obligation Fund (USOF).
- (ii) Provision of shared infrastructure for mobile services in rural areas to facilitate speedy penetration of mobile services in rural areas.

27. Asked to state the measures taken to make the private operators perform in rural and remote areas, it was replied that the Department was contemplating to utilize the services of all telecom service providers. In this direction, wide ranging consultations have been held with Access Service Providers, Infrastructure Providers, Association of Telecom Service Providers and Manufacturers to work out modalities for sharing of certain elements of infrastructure and to provide support from Universal Service Obligation Fund for the same. Elements of infrastructure which can be shared include land, tower, shelter etc.

#### **VI. VPTs, RCPs and PTICs**

28. The Committee were informed that the tender for installation of Rural Community Phones (RCPs) in villages with a population of more than 2000 covering approximately 46,000 villages has been finalised and agreements signed with two successful bidders *i.e.* BSNL and Reliance Infocom Ltd. on 30th September, 2004.

29. Similarly, the agreement for provision of VPTs, in the villages remaining uncovered by a VPT, for about 66,822 villages, has been signed with BSNL on 10 November, 2004.

30. In the above context, the Committee desired to know the number of RCPs provided by BSNL and Reliance Infocom Ltd. so far and whether the performance of the Private Operator conformed to its contractual obligations. In reply, it was stated that 46,253 villages with population exceeding 2,000 and without a public phone facility are being provided with a Rural Community Phone (RCP). Agreements were signed with BSNL and RIL in September 2004 to provide 24,794 and 21,459 RCPs respectively in these villages. These RCPs are to be provided over a period of three years with 20% of the total RCPs to be provided in first year and 40% each in second & third year respectively. A total of 20,756 RCPs [BSNL: 14,396, RIL: 6,360] have been provided till February 2006 and the remaining RCPs are likely to be provided by September, 2007.

31. The Committee then enquired about the number of VPTs that have been provided by BSNL since November, 2004 in the 66,822 uncovered villages and the preparedness of the company in this regard. It was stated that the agreements have been signed with BSNL in November, 2004 to provide VPTs in the remaining eligible uncovered 66,822 villages. Insurgency prone villages and those with population of less than 100 totalling about 24,000 villages were not be covered as per the present policy. 20 per cent of these VPTs *i.e.* 13,364 were to be provided to BSNL by November, 2005. As against this target, 15,527 VPTs were provided by BSNL by the said date. As on 28 February, 2006, 20277 VPTs have been provided by BSNL. The remaining villages were likely to be provided with VPTs by November, 2007.

32. It was further stated that RIL which was supposed to provide 4292 number of RCPs by November, 2005 as per the Agreement conditions, had provided 5731 number of RCPs by November, 2005, thus exceeding the required target.

33. It was also stated that in order to meet the targets for provisioning of VPTs, RCPs and MARR replacement, BSNL has plans to install 1 to 3 BTSs per SDCA for providing coverage. BSNL is in the process of procuring 11 lakh lines WLL equipment. NIT for supply of 25.2 lakh lines MSC based WLL equipment has been issued in the month of March 2006. 14183 VPTs out of total 66,822 VPTs are to be provided on DSPTs for which orders have already been placed with M/s HFCL.

34. As regards upgradation of VPTs to Public Telecom and Info Centres (PTICs), the Committee were informed that a pilot project to set up 2,000 HPTICs in 10 Service Areas was planned. In the

meanwhile, the Department of Information Technology (DIT) has undertaken a project to provide Common Service Centres (On the lines of HPTICs) in 1,00,000 villages. USOF will now concentrate on providing broadband connectivity to the villages.

## **VII. Telecom Engineering Centre (TEC)**

35. Telecom Engineering Centre is a Science and Technology institution in terms of the instruction issued by Scientific Advisory Committee to the Cabinet and works as a part of Department of Telecommunication. Its headquarters is at New Delhi and regional centres at New Delhi, Kolkata, Mumbai, Bangalore and Hyderabad. TEC is particularly responsible for standardization activity and drawing up of generic requirement and specifications for Telecom products, equipments, systems, services and networks. It also coordinates and evaluates new products, equipment and systems developed by all developmental agencies.

36. The Committee were informed that for TEC the Plan BE for 2004-2005 was Rs. 4 crore which was reduced to Rs. 2.98 crore at the RE stage, but the actual expenditure was Rs. 73 lakh only. The Plan BE 2005-2006 provided for an amount of Rs. 1.13 crore which was subsequently reduced to Rs. 12 lakh only. The BE 2006-2007 provides for Rs. 1 crore only. In this context, the Committee asked the reasons for savings of more than Rs. 2 crore on the part of TEC during the year 2004-2005. In reply, it was stated that the savings of over Rs. 2 crore was on account of the following two reasons:—

- (i) A sum of Rs. 1.20 crore could not be utilized as the Advise Transfer Debit (ATD) expected from BSNL for construction of building at Regional Telecom Engineering Centre, Kolkata was not received during the year 2004-05.
- (ii) DGS&D had supplied computers to TEC. However, the bills which were expected during the year for Rs. 98.54 lakhs were not received.

37. The Committee then desired to know the reasons for reduction of the 2005-2006 BE amount by Rs. 1 crore, the actual expenditure incurred by the Centre as on 28th February, 2006 and whether any shortfalls were anticipated by the end of 2005-2006 fiscal. The

Department, in their reply stated that the following projects were envisaged for the year 2005-06 amounting to an estimated cost of Rs. 1.13 crore.

- (a) Upgradation of TEC Intranet.
- (b) Procurement of Structural analysis system for tower.
- (c) NGN Test Bed
- (d) Procurement of Testing Tools and Accessories for CDMA.
- (e) Wi-Fi Hotspot

38. The reasons for surrendering the amount against each project is:—

- (a) Rs. 70.34 lakhs was asked for upgradation of TEC Intranet. During this year, RTECs at Hyderabad & Sub-Centre at Pune & Chennai were closed in the month of April-May, 2005 and revised detailed estimate was prepared. The NIT had been issued after revising the requirement of various components of the project in December. As the supplies were not expected to be completed before March 2006, the funds were surrendered.
- (b) Rs. 81,000/- was asked for procurement of structural analysis system for tower. This project was closed on 31.8.2005.
- (c) Rs. 36 lakhs was asked for NGN Test Bed. The main component in this project is VoIP Performance Analyzer based on H-248 Protocol. The tender could not be called for as products supporting this Protocol are not available in the market.

39. The expenditure as on 28th February, 2006 was stated to be nil.

40. From a statement furnished to the Committee it was observed that TEC had failed to achieve the physical targets in two out of the three schemes during the year 2004-2005. For example, in new GRs/IRs the target was 2005-2006 whereas the achievement was 18 only. In Test schedule/Test Procedure, the target was 93 but the achievement was 27 only. Similarly, during the year 2005-2006, the targets for new GRs/IRs, Review of GRs/IRs and Test Schedule/Test Procedure were 42, 80 and 122 whereas the achievement (upto December, 2005) was 33, 36 and 58 respectively.

41. In the above context, the Committee wanted to be apprised of the reasons for shortfalls in the achievement of physical targets during the year 2004-2005. It was replied that the GRs/IRs were planned based on the assumption that the standard shall be frozen in time by

the Standards Development Organisation and also production version of the equipment shall be available. Whenever, either of the conditions was not met, the shortfall was observed.

42. As regards the anticipated achievement of targets fixed for the year 2005-2006 in various schemes, the Committee were informed that the following achievements were expected by the end of the 2005-2006 fiscal:—

Items	Target	Expected achievement
New GRs/IRs	42	51
Revised GRs/IRs	80	69
Test Schedule/Test Procedure	122	120

As seen from the above, only marginal shortfall is expected.

#### **VIII. Wireless Planning and Coordination (WPC) Wing**

43. Wireless Planning and Coordination Wing (WPC) in the Department of Telecommunications deals with Policy and Spectrum Management, wireless licensing, frequency assignment, international coordination for spectrum management and administration of Indian Telegraph Act 1885 (ITA, 1885) for Radio Communication Systems and India Wireless Telegraph Act, 1933 (IWTA, 1933).

44. The Committee were informed that the total outlay in the Tenth Five Year Plan for a project called 'National Radio Spectrum Management and Monitoring' (NRSMM) undertaken by WPC was Rs. 251.64 crore. The sources of funding were stated to be a Budgetary Support (World Bank funded Project) of Rs. 239.64 crore which was reduced to Rs. 162.024 crore and recommended for further reduction of Rs. 32.98 crore from the loan amount.

45. The Committee were also informed that the BE for the year 2004-2005 was Rs. 73.75 crore which was reduced to Rs. 20 crore at the RE stage. The actual expenditure during the year was Rs. 3.28 crore. Similarly, the BE for 2005-2006 was Rs. 62.71 crore which was pruned down to Rs. 9.24 crore at the RE stage. Reasons for poor utilisation of funds by WPC were stated to be the overall dismal performance of the contractors.

46. In this regard, the Committee desired to know the present status of the Project which was originally scheduled to be completed by December, 2004. In reply, it has been stated that the Project has two main components viz. Automated Spectrum Management System (ASMS) and National Spectrum Monitoring System (NSMS). The present status is as under:—

(i) ASMS at WPC, Sanchar Bhawan:

- The customisation works related to ASMS at Sanchar Bhawan have been completed and system is operational. Applications are now being received through web server and are being examined in ASMS server.
- The installation of workstations, server, LAN/WAN etc. at WMO Headquarter and 21 WMSs have been completed except at Siliguri (WMS office at Darjeeling is currently under shifting to Siliguri).

(ii) NSMS at WMO (Wireless Monitoring Station) Sites

(a) Fixed Sites:

**Fabrication and Installation:**

- Out of 13 Monitoring Stations with antenna towers, installation of towers and equipments has been completed at 11 sites.
- Due to land disputes for two Monitoring Stations viz. Goa and Jalandhar, tower installation works could not commence so far. These land disputes have now been resolved and the Contractors have been asked to go ahead with the installation of mast tower etc. there. In between there was a plan to install these towers at alternate Monitoring Stations, Siliguri and Visakhapatnam but the same is not required now.

**Testing and Acceptance:**

- Acceptance tests for computer hardware facilities installed at WMO Headquarter, T&D centre and 8 Monitoring Stations without towers (Non-tower stations) have been completed and anomalies are being rectified by the Contractors.
- Acceptance test at RHQs/IMSs Chennai, Mumbai and New Delhi have been completed except 'V/UHF DF Accuracy' text. The anomalies are being rectified by the Contractors.



- The site at RHQs/IMSS Kolkata including 'HF DF' facility is yet to be offered by the Contractors for testing.
- The testing of 13 Monitoring Stations with towers (Tower stations) is related with the delivery of V/UHF Mobile Monitoring Vehicles at those locations.

(b) V/UHF (Very/Ultra High Frequency) Mobile Monitoring System (MMS) Vehicle:

- As per the Contract, 21 V/UHF MMS are to be delivered, one each at 21 monitoring stations. All the vehicles have been fabricated and integrated. The Contractors have offered 18 vehicles for acceptance test.
- Acceptance tests on 10 vehicles have been completed. Acceptance test of remaining vehicles is in progress.
- These vehicles are yet to be accepted as one important test namely "System Sensitivity" is yet to be resolved by the Contractors as per the specifications of the Contract. This issue along with 'DF Accuracy' has been pending for more than eight months. The desired 'DF Accuracy' has been achieved on one vehicle recently.

(c) SHF (Super High Frequency) Mobile Monitoring Vehicle and SHF Fixed Monitoring Station at Jalna:

- The Contractors are to provide 20 SHF, MMS vehicles at different Monitoring Stations and to setup one fixed SHF monitoring facility at International Satellite Monitoring Earth Station, Jalna as per the Contract.
- The successive designs submitted by the Contractors have failed to meet the technical specification of the Contract for which they had given 'Fully Compliant' Statement in the compliance table.
- A Technical Committee was constituted with the approval of Chairman (TC) to consider the design proposed by the Contractors.
- The 'Technical Committee' had submitted its recommendations. Based on the recommendations of the 'Technical Committee', the Contractors have been asked to submit comprehensive 'Design Documents' based on state-of-the-art technology, that meet the technical specifications for SHF Mobile Monitoring System (MMS) and SHF fixed facility at Jalna, as per the Contract Response from the Contractors is awaited.



47. The Committee asked about the action taken against the contractors who have failed to timely execute such an important assignment. In reply, it was stated that the Contractors have failed to meet the technical specifications of the contract in respect of SHF fixed and mobile facilities, for which they had given Full Compliance (FC) statement in the contract. The Contractors have been once again asked to submit a comprehensive design that meet the requirement of the Contract.

48. Liquidated Damage (LD) charges as per the Contract provision are being deducted form the payments being made now to the Contractors.

49. Asked to state the measures taken to ensure adherence to the contractual obligation by the contractors for accomplishing the assignment in the concluding year of Tenth Five Year Plan, it has been submitted that to accomplish the job in 2006-07, multiple Acceptance Testing team from the Department's end for fixed and V/UHF (Very/ Ultra High Frequency) mobile facilities have been constituted. Testing of fixed and mobile sites is under progress. The Contractors have been asked to rectify the anomalies observed by these acceptance testing teams at various sites, in a time bound manner so that final acceptance of the facilities can be completed quickly.

50. In case the Contractors fail to meet the specifications as per the Contract, the cancellation of those parts of the Contract will be considered with suitable penalties as per the Contract provisions.

51. The Committee then queried about the planning of WPC to optimally utilize Rs. 15.61 crore, as earmarked for 2006-2007 fiscal. In response, it was stated that the amount of Rs. 15.61 crore as earmarked for 2006-07 would be utilised for making payment to the contractors for works which have been completed in 2005-06 and payment could not be made during 2005-06 and also for the works to be completed during 2006-2007. Although the amount allocated for fiscal 2006-07 was not sufficient to meet the expenditure to be incurred during the year, the additional funds would be requested at RE stage.

#### **IX. Wireless Monitoring Organisation (WMO)**

52. The Committee have been informed that the total outlay for the Tenth Five Year Plan (2002-2007) for Wireless Monitoring Organisation (WMO) has been Rs. 49.45 crore to carry out the ongoing schemes as well as to undertake new schemes. In 2004-2005 an amount of Rs. 14.27 crore was approved including Rs. 10.27 crore for civil

works, which was revised to Rs. 3.27 crore in RE 2004-2005 including Rs. 2.77 crore for civil works. In BE 2005-2006 an amount of Rs. 18.77 crore was approved including Rs. 12.27 crore for civil works and in RE 2005-2006 it was revised to Rs. 10.07 crore.

53. The Committee have also been informed that the Tenth Plan proposed an outlay of Rs. 28.80 crore for civil works of WMO. It has further been stated that except the civil works and augmentation of DF systems, no other Technical Schemes could be implemented till now. The Schemes need a review in view of the yet to be completed World Bank aided Telecommunication Reforms Project and the upcoming Eleventh Plan period.

54. In the above context, the Committee desired to be apprised of the actual expenditure incurred by WMO in the years 2004-2005 and 2005-2006 and the reasons for shortfalls, if any. In response, it was stated that under Civil works, Administrative Approval & Expenditure Sanction for works totalling to worth Rs. 4.80 crores & Rs. 6.74 crores were issued to Central Public Works Department (CPWD) during financial years 2004-05 & 2005-06 respectively.

55. No expenditure was incurred for Technical schemes during 2005-06, whereas a very nominal expenditure of Rs. 4 lakhs approx was incurred during 2004-05. The installation of HF DF systems was implemented as part of technical scheme.

56. As regards the reasons for the shortfalls in optimally utilising the earmarked amount, it has been stated that for issuing the Expenditure Sanction for the works of WMO, prior availability of budget has to be ensured during a financial year. However, before the actual sanction is given to CPWD, minimum time delays do happen at various stages such as preparation of various structural designs, preliminary estimates etc. which result in the non-utilization of earmarked budget.

57. Asked to state the reasons for reduction of the 2005-2006 BE amount of Rs. 18.77 crore, it was submitted that the Budget at the RE stage had to be pruned to Rs. 7.09 crore so that the funds did not remain unnecessarily blocked during the remaining financial year.

58. The Committee then asked about the actual expenditure incurred on civil works by WMO till 2005-2006 against the Tenth Plan Outlay of Rs. 28.80 crore and also desired to know whether WMO would be able to optimally utilize the amount earmarked towards civil works. In response, it has been stated that till 2005-2006, WMO

has issued Administrative approvals and expenditure sanction to CPWD for its civil works amounting to a total of Rs. 14.99 crore. The total earmarked Civil Budget in 10th Plan period is Rs. 28.80 crores, WMO has already sanctioned an amount of Rs. 14.99 crores till now *i.e.* till the end of the financial Year 2005-06. WMO has been allocated for its civil works, an amount of Rs. 5.00 crores only for this year (2006-07), which is expected to be utilized.

59. The Committee specifically desired to know whether WMO would be able to utilize the total Tenth Plan Outlay of Rs. 49.45 crore by the end of the Plan period *i.e.* 2006-2007. In reply, it was stated that the Plan schemes of WMO during the 10th Plan period were projected for implementation in tandem with the World Bank assisted Project. The total expenditure so far is of the order of Rs. 15 crores.

60. More over, due to extension of World Bank Project implementation, it is unlikely that the total Plan outlay will be fully utilized.

61. In response to another query with regard to the completion and assessment of the additional requirements for the major modernisation Project, it was stated that the Project was under implementation. However, draft Eleventh Plan Paper has been prepared after taking into account the future requirements and the same is under examination.

62. The Committee then asked whether measures have already been initiated to review the Technical Schemes which have been given less preference *vis-a-vis* the civil works for the World Bank Project. In response, it has been stated that as per the directive of the Ministry of Finance, the Schemes/Plans need to undergo independent evaluation before the same are continued further. Necessary action in this regard was stated to have been initiated.

#### **X. Centre for Development of Telematics (C-DOT)**

63. Centre for Development of Telematics (C-DOT) was established by the Government of India in 1984 as an autonomous body with the objective of developing a new generation of digital switching systems. Since its inception, C-DOT has developed a wide range of switching and transmission products for the rural and urban applications. C-DOT's current focus is on development and deployment of next generation networks and cost effective rural wireless solutions.

64. The total outlay for C-DOT in the Tenth Five Year Plan has been stated to be Rs. 838 crore, year-wise breakup being Rs. 150 crore

in 2002-2003, Rs. 162 crore in 2003-2004, Rs. 166 crore in 2004-2005 and Rs. 180 crore each in 2005-2006 and 2006-2007. The Committee have also been informed that the 2004-2005 BE and RE provided for an amount of Rs. 145.61 crore whereas the actual expenditure was Rs. 96.21 crore only. Similarly, the BE and RE for 2005-2006 was 131.40 crore whereas the actual expenditure (provisional) has been Rs. 110.06 crore only. A provision of Rs. 143.70 crore has been made in the BE 2006-2007.

65. The reasons for lower utilisation of the earmarked amount in both 2004-2005 and 2005-2006 have been stated to be due to the paradigm shift from wireline to wireless technology, lesser expenditure on hardware due to the need to create more software infrastructure than hardware etc.

66. Asked to state the extent of shortfall in utilising the total Plan Outlay of Rs. 838 crore it was replied that the likely shortfall in utilizing the total Plan outlay of Rs. 838 crore would be in the order of Rs. 264 crore.

67. The Committee then desired to know the planning of C-DOT to cope with the paradigm shift for optimal utilisation of the budgetary provisions for 2006-2007 and beyond that. The Committee further asked whether any shortfalls were anticipated in the achievement of any physical targets by the end of 2005-2006 fiscal, the reasons therefor and measures taken to remove the impediments. In reply, it was stated that C-DOT has been working in the areas of software Intensive Projects, Next Generation Networks, Wireless and Mobile Solutions, Cell and Packet technologies for Voice and Data convergence and Backbone Projects on Fiber and Satellite etc.

68. Extensive research has been done in the last two years to bring the status of projects to a level where multiple pilot trials and proving of the research in field will take place during the year 2006-2007. This would require that the resulting prototypes of such solutions are deployed in different environmental conditions to verify versatility under field conditions. The budgetary provisions for the year 2006-07 have been made accordingly and are proposed to be optimally utilized.

#### **XI. Telecom Regulatory Authority of India (TRAI)**

69. The Telecom Regulatory Authority of India (TRAI) was established under the Telecom Regulatory Authority of India Act, 1997 enacted on March 28, 1997. The TRAI (Amendment) Act, 2000 led to the reconstitution of the Authority. It consists of one Chairperson, two

full-time members and two part-time members. The goals and objectives of TRAI are focussed towards providing a regulatory regime that facilitates achievement of the objectives of the New Telecom Policy (NTP-99), TRAI has endeavoured to encourage greater competition in the Telecom Sector together with better quality at affordable prices.

70. The quantifiable deliverables/physical outputs related to TRAI are related to the various proposed studies/consultancies to be undertaken by TRAI and on the training to TRAI officials on technical and regulatory issues. The Committee have been informed that one Project titled 'Institutional Capacity Building' has been commenced since 2005-2006 for conducting consultative studies on regulatory issues by engaging international consultants/consultancy firms of repute and to fulfil the training needs of TRAI officials. An amount of Rs. 3.50 crore was proposed in this regard for the year 2005-2006. But the Planning Commission reduced the amount by Rs. 50 lakh. An amount of Rs. 1.50 crore has since been incurred and a further amount of Rs. 1 crore is expected to be incurred by the end of March, 2006. The proposed BE for 2006-2007 for the project has been stated to be Rs. 3.25 crore.

71. In the above context the Committee desired to know the reasons for shortfall of Rs. 50 lakh approximately against the plan expenditure of Rs. 3 crore. In reply it was stated that against the BE (2005-06) proposal of TRAI for Rs. 3.50 crore for the 'Institutional Capacity Building Project' for carrying out consultative studies on regulatory issues and to meet the training needs of TRAI officials, the Planning Commission allocated an amount of Rs. 3.0 crore on the basis of their own assessment of total requirement of plan funds for the whole telecom sector.

72. Asked to state the status of the 13 proposed studies/consultancies, it was stated that the status was as under:—

**Completed (Five Studies):**

- (i) Study on Measures to Promote Competition in IPLC in India
- (ii) Study on Next Generation Networks
- (iii) Study on System Analysis & Design and Development of System Software (software completed; parallel run in progress)

- (iv) Workshop on Use of Broadband by the cable industry in India—participation of expert
- (v) Short Consultancy on Mobile Number Portability

**On-going studies/consultation (Two):**

- (i) Study on Quality of Service and Consumer Satisfaction Survey
- (ii) Household Survey of Cable viewing

**Studies/consultation conducted In-House (One)**

- (i) Study on Issues related to Promotion of Competition in Domestic Leased Circuit Market in India

**Studies/consultation deferred for the next year (Three):**

- (i) Study on Interconnection in the Converged Multi-service, Multi-operator scenario
- (ii) Consultancy from BSE/NSE for estimation for telecom sector
- (iii) Legal aspects of growing telecom technology in regulatory regime—Lessons from USA, UK, Europe, Australia and Malaysia

**Studies/consultation dropped (Two):**

- (i) Short Consultancy on Mobile Virtual Network Operators
- (ii) Short Consultancy on Licensing, Interconnection and other regulatory issues related to Fixed Mobile Convergence.

73. In reply to another query of the Committee with regard to the studies on regulatory issues that have been identified to be taken up during the 2006-2007 fiscal, it was stated that the identified consultancy proposals for the financial year 2006-2007 were as follows:—

- (i) Study on Emerging Technology,
- (ii) Study on Media Research, Surveys and e-filing,
- (iii) Study on Quality of Service and Customer Satisfaction Survey,
- (iv) Study on Interconnection in the Converged Multi-operator, Multi-service Scenario,

- (v) Upgradation and expansion of System Software for TRAI,
- (vi) Consultancy from BSE/NSE for estimation for telecom sector,
- (vii) Procurement of Test Drive Equipments for monitoring the quality of service,
- (viii) Legal aspects of growing telecom technology in a regulatory regime—Lessons from USA, UK, Europe, Australia and Malaysia.

74. The Committee then wanted to know about the measures taken/proposed to ensure optimal utilization of the allocated amount during the year 2006-2007. In reply, the DoT informed that the performance of the project shall be closely monitored by the Authority with the existing staff strength.

## **XII. Telecom Disputes Settlement and Appellate Tribunal (TDSAT)**

75. Telecom Disputes Settlement and Appellate Tribunal (TDSAT) was formed in the year 2000 after amending Section 14 of the TRAI Act, 1997 (as amended in 2000) for adjudication and dispute between the licensor and licensee, between two or more service providers, between service provider and a group of consumers and to hear and dispose off appeal against any decision or order of the TRAI.

76. The Committee have been informed that during the years 2004-2005 and 2005-2006, the revised Plan allocation for TDSAT was Rs. 70 lakh each whereas the expenditure during the corresponding years was Rs. 60 lakh and Rs. 46 lakh respectively. During the year 2006-2007 an amount of Rs. 0.75 crore has been allocated for Plan-expenditure.

77. Asked to state the anticipated Plan-expenditure of the Tribunal by 31 March, 2006, it was replied that an amount of Rs. 70,00,000/- had been allocated in the 2005-06 RE under plan head and it was expected that the entire Budgetary allocation would be fully utilized by 31 March, 2006.

78. The Committee desired to have a consolidated statement showing the number of disputed cases in the Telecom Sector including Broadcasting and cable services referred to the Tribunal during the years 2004-2005 and 2005-2006, the nature of the cases, the period of their pendency in the Tribunal, the verdict given, the number of parties moving the Supreme Court against the Tribunal's judgement, verdict

given by the Apex Court and the number of cases still pending in both TDSAT and the Supreme Court. In reply, the following information was furnished to the Committee:—

**1. Year-wise break up of Institution of Cases  
(as on 30th March 2006)**

Sl.No.	Description	Institutions		
		2004-2005	2005-2006	Total
1.	Petition	85	232	317
2.	Appeal	05	12	17
	Total	90	244	334

**Year-wise break up of pendency of cases  
(As on 30th March, 2006)**

Sl.No.	Description	Institutions		
		2004-2005	2005-2006	Total
1.	Petition	27	160	187
2.	Appeal	05	09	14
	Total	32	169	201

2. Nature of the cases—Interpretation of License Agreement, interpretation of Policy, disputes on interconnection, disputes on spectrum, disputes on Revenue Sharing, disputes on disconnection of signals, refusal to provide Decoder, disputes on actual number of subscribers, disputes on Terms and Conditions of subscription agreement.

3. Out of the cases filed before the TDSAT during the years 2004-05 and 2005-06, orders of TDSAT in one Appeal and four petitions, have been challenged before the Supreme Court of India.

**XIII. Bharat Sanchar Nigam Limited (BSNL)**

**(i) Utilisation of Funds**

79. Bharat Sanchar Nigam Limited (BSNL) was formed on 1st October, 2000 by Corporatisation of the erstwhile Department of Telecom Services (DTS). BSNL is a hundred percent Government of



India owned Public Sector Undertaking with authorized capital of Rs. 17,500/- crore and paid up capital of Rs. 12,500/- crore. BSNL provides telecommunication services in the whole of the country except for Delhi and Mumbai where another PSU *i.e.*, MTNL operates.

80. The layout proposed for BSNL by the Department and the amount actually provided by the Planning Commission for the schemes in the Annual Plan for 2003-04, 2004-05, 2005-06 and 2006-07 was as under:—

Item/Year	2003-04	2004-05	2005-06
Outlay Proposed	14719	14777	15081
BE Approved	12285	8809	9696
RE Approved	10608	6636	15463

81. Similarly, the following statement showing the BE, RE and Actual Expenditure by BSNL for the years 2003-04, 2004-05 and 2005-06 and BE for 2006-07 was furnished to the Committee:—

(Amt. in Crore of Rupees)

Sl.No.	Year	Budget Estimates	Revised Estimates	Actual Expenditure
1.	2003-04	12285	10608	6535.80
2.	2004-05	8809	6636	7445.66
3.	2005-06	9696	15463	A/c yet to be finalised
4.	2006-07	16931	—	—

82. As is observed from the above two statements, during the years 2003-2004, 2004-2005 and 2005-2006 the outlays proposed by the Department for BSNL were Rs. 14719 crore, Rs. 14777 crore and Rs. 15081 crore respectively whereas the approved BEs for the corresponding years were Rs. 12285 crore, Rs. 8809 crore and Rs. 9696 crore. Finally the approved REs for the said years were Rs. 10608 crore, Rs. 6636 crore and Rs. 15463 crore respectively. The Actual expenditure in 2003-2004 was Rs. 6535.80 crore and in 2004-2005 it was Rs. 7445.66 crore. The account of expenditure for the year 2005-2006 is yet to be finalised. Giving reasons for variation in BE, RE and actual expenditure for the years 2004-2005 & 2005-2006 the Department have stated that the total outlay incurred could not be capitalized fully due to non-completion of works. For the year 2006-2007, an outlay of Rs. 16931 crore has been proposed.

83. In the above context, the Committee desired to be apprised of the reasons for curtailment of the proposed outlay for the years 2003-04 and 2004-05 at the BE stages and further at the RE stage. In reply, it was stated that the proposed outlay for BE 2003-2004 was Rs. 12285 crore and the same was approved by the Planning Commission. For RE 2003-04, the said outlay was proposed at Rs. 10608 crores, keeping in view the trend in Capital Expenditure.

84. The proposed outlay for BE 2004-2005 was Rs. 14777 crore and the same was reduced to Rs. 8809 crores as the BE included reimbursement of License Fee and USO Fund which was not agreed to by the Planning Commission. The approval of Planning Commission was received *vide* communication No. 167-105/2003-LTP (CP) dated 09.07.2004. For RE 2004-05, the said outlay was proposed at Rs. 11650 crores including License Fee and USO Funds and the same was reduced to Rs. 6636 crores by the Planning Commission.

85. The Committee then asked whether any shortfalls were anticipated in the utilisation of the 2005-2006 RE approved sum. In reply, it was stated that the position would be known after the accounts were compiled for 2005-2006.

86. Asked to state the measures proposed to ensure timely completion of works for optimal utilisation of the 2006-2007 BE amount of Rs. 16.931 crore, it has been stated that BSNL Headquarter was constantly monitoring the project implementation. The feedback is taken at regular interval for timely intervention to keep the implementation process on track. Telecom Circles are also in turn taking similar steps. Corrective steps are taken like timely availability of funds and other resources to Telecom Circles. Strict & tight schedule observation is being resorted to for timely availability of equipment.

**(ii) Physical Targets and Achievements**

87. Year Wise Physical Targets of Telecom Infrastructure planned during 10th Five Year Plan are given below:

Name of the Scheme	Unit	Year					Total
		2002-03	2003-04	2004-05	2005-06	2006-07	
1	2	3	4	5	6	7	8
Fixed Phones	Lakh Lines	22.90	20.00	15.00	12.00	11.00	80.90

1	2	3	4	5	6	7	8
Mobile Phones	Lakh Lines	29.50	33.00	43.34	53.00	65.00	223.84
WLL Phones	Lakh Lines	11.94	15.97	10.00	12.02	13.00	62.93
Sub Total	Lakh Lines	64.34	68.97	68.34	77.02	89.00	367.67
Optical Fibre Cable	Route Kms	75000	50000	50000	40000	35000	250000
Microwave	Route Kms	5000	3000	3000	2000	2000	15000
Tax Lines	KC	1005	1058	1098	1219	1380	5760

88. The Committee were informed that the above targets were planned in anticipation that suitable compensation will be given by the Government for undertaking the socially desirable but uneconomic activities. Further, it was assumed that although with the advent of wireless services, the wireline growth will have an impact to some extent. However, it has been seen that the wireline subscriber growth has slowed down drastically and the wireless services are being preferred by the customers. In the present competitive scenario and reducing tariffs its is essential to maintain the economic viability of BSNL, to remain the largest telecom service provider in the country.

89. Asked to furnish details of the physical targets fixed for the year 2005-2006 and achievements made thereon by SBNL, the following information was provided.

Scheme	Target (2005-06)	Achievement 2005-06 (upto 28.02.2006)
DELS	75 Lakhs	66.07 Lakhs
TAX	620 KC	655 KC
OFC	15000 Rkms	13617 RKms
VPT (Nos.)	5800	11889

90. It was stated that no shortfalls were anticipated in the achievement of targets in any of the schemes by the end of the 2005-2006 fiscal. It was further stated that the targets fixed for the year 2006-2007 were 100 lakh DELs, 1200 Kilo circuits of Tax, 24000 Route Kms of OFC and 20000 VPTs.

91. As regards the target and achievement in Cellular Mobile Phones for the year 2005-2006, the following statement was furnished to the Committee:—

Sl.No.	Circle	Target 2005-06 (as per MOU)	Achievement during 2005-06 Upto Dec. 31, 2005
1.	A. & N.	6000	8385
2.	A.P.	450000	149051
3.	Assam	130000	109844
4.	Bihar	380000	189659
5.	Chhattisgarh	100000	30073
6.	Gujarat	400000	160801
7.	Haryana	170000	182341
8.	H.P.	80000	103618
9.	J. & K.	120000	252886
10.	Jharkhand	150000	75952
11.	Karnataka	500000	301851
12.	Kerala	450000	387118
13.	M.P.	200000	56806
14.	Maharashtra	500000	203327
15.	N.E.-I	45000	14966
16.	N.E.-II	45000	55650
17.	Orissa	224000	147093
18.	Punjab	220000	835
19.	Rajasthan	410000	499357
20.	Tamil Nadu	400000	335554
21.	Uttaranchal	80000	119726
22.	U.P. (E)	570000	795039
23.	U.P. (W)	250000	208341
24.	W.B.	220000	180802
25.	Kolkata	200000	133744
26.	Chennai	200000	144247
	BSNL	Total	6500000
			4847066

92. As would be seen from above, against the target of 65 lakh Cellular Mobile Phones, BSNL has been able to achieve around 48.50 lakh such phones as on 31 Dec., 2005. Circles where the achievement of Mobile Phone targets are far from satisfactory include Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, North East-I, Orissa and Punjab.

93. In this context, the Committee desired to know the anticipated achievement of mobile phones by the end of the 2005-2006 financial year and whether any shortfalls were anticipated and the reasons therefor. In reply, it has been informed that the anticipated achievement of mobile phones by the end of the 2005-2006 financial year was around 17 million lines, thus, no shortfalls in the achievement of targets was anticipated at the national level. However, targets of some of the cities namely Calcutta Telephones is likely to get affected, similarly Punjab Circle is likely to be a major cause of worry with reference to achievement of targets. In respect of Calcutta Telephones the targets got affected due to delays in supplies. Despite the delays in supplies, it is expected to achieve around 90% of the targets. As regards Punjab Circle, the major reasons attributable to the dismal performance of the mobile services, despite creating adequate capacity, are as follows:

- M/s Spice was the monopoly operator with no competition for almost six years of operation.
- BSNL, Airtel, Hutch and Reliance entered Punjab within a span of one year in 2002-03 for mobile service operations.
- After entering of Hutch, there has been intense competition in the market due to which churn is there from all operators including BSNL.
- Punjab has maximum teledensity (17.9%) among all other circles across the country.

94. Asked to enumerate the special measures being taken to provide the targetted mobile phones in the Circles/States, it was replied that Special marketing efforts were done, new tariff plans like One India have been launched by BSNL to generate the demand. Also special push/drive was done for fast roll out of expansion projects to make available the capacity to ensure subscriber growth which got translated to 120% of achievement of target as per MOU despite the fact the growth in Punjab could not improve.

95. As regards the physical targets set for Assam, North-East Region and Tribal Sub Plan during the year 2005-2006 and the achievements

made thereon, the following three statements were furnished to the Committee:—

**Target and Achievement 2005-06 (upto December 31, 2005)  
Assam Telecom Circle**

Development Parameter	2005-06	
	Target	Achievement upto December 31, 2005
New Switching Capacity (Lines) (Fixed+WLL+CMTS)	174450	235661
DELs (Nos) (Fixed+WLL+CMTS)	141400	122730
VPTs (Nos)	2050	940
UHF/Microwave (RKms)	Target not fixed	6.5
OFC (RKms)	600	464.19

**North Eastern Telecom Circle  
(Arunachal Pradesh, Meghalaya, Manipur, Mizoram,  
Nagaland & Tripura)**

Development Parameter	NE-I		NE-II	
	Target 2005-2006	Achievement as on December 31, 2005	Target 2005-2006	Achievement as on December 31, 2005
Net Switching Capacity (Lines) (incl. WLL)	45000	16565	45000	55571
DELs (nos.) (Incl. WLL)	48000	61549	49000	65936
VPTs (Nos)	425	8	200	32
UHF/Microwave (RKms)	Target not fixed	8.68	Target not fixed	134.6
OFC (Rkms)	1000	438.13	1000	107.05

**Targets and Achievements 2005-06  
Tribal Sub Plan (TSP) Areas**

Sl.No.	Item	2005-06 (upto December 31, 2005)	
		Target	Achievement
1.	Telephone Exchanges (Nos)	24	20
2.	Switching Capacity (Lines)	1168835	406887
3.	DELs (Nos.)	959153	332323
4.	VPTs (Nos.)	9666	1359
5.	OFC (RKMs)	2933	420.69
6.	Satellite Station (Nos.)	26	7

96. As would be seen from above, in Assam Telecom Circle, there have been shortfalls in achievement of targets in DELs, VPTs and OFC during the year 2005-2006 (as on 31 Dec., 2005). Similarly, in North-East Circles there have been shortfalls in almost all the schemes as on the same date. The position is dismal particularly in the provision of VPTs and OFC where out of the target of 625 and 2000 RKMS respectively, the achievement has been only 40 and 545.18 RKMS.

97. In Tribal Sub Plans (TSP) areas also, there have been shortfalls in the achievement of targets in all the Schemes/items.

98. In the above context, the Committee asked as to whether further shortfalls in the achievement of targets in any of the schemes in Assam, North-East region and TSP areas were anticipated by the end of the 2005-2006 fiscal and the reasons therefore. In reply, it has been stated that shortfalls are anticipated by the end of this fiscal year in respect of VPTs in Assam and in respect of VTPs, DELs and OFC in NE-I and NE-II Telecom Circles including Tribal Sub Plan in these telecom circles. The reasons are difficult terrain and prevailing geographical and topographical circumstances, the reliable coverage to the areas required and additional equipment, which could not be supplied by the concerned vendors in time thereby hampering the process of provisioning of DELs, OFC and VPTs.

99. The Committee further enquired about the targets fixed for the year 2006-2007 in these areas and measures taken to ensure optimal achievement of targets. In reply, it has been stated that Annual physical targets of different Telecom Development Parameters have been fixed for the year 2006-07 (BE) in NE Region including Assam and TSP areas which are furnished below:

**Annual Plan 2006-07 (BE) of NE Region including Assam**

Parameters Targets proposed in Annual Plan 2006-07

Working Connections (Nos.)	3,50,000
VTPs (Nos.)	6488
OFC (RKMs)	4300

**Annual Tribal Sub Plan 2006-07 (BE)**

Parameters Targets proposed in Annual Plan 2006-07

Working Connections (Nos.)	1.40 Lakh
VTPs (Nos.)	4000
OFC (RKMs)	2300

100. It has further been informed that the achievement of targets is monitored on monthly basis at the circles level as well as at the BSNL HQ level. Action has been taken to finalize the tenders well in advance. Supply of equipment by the vendors is regularly monitored at the HQ as well as at the circle level.

101. In response to a specific query of the Committee regarding the requirement and generation of funds to carry out the schemes in the North-East Region and TSP areas during the year 2006-2007, it was stated that the requirement of funds to carry out the schemes in North-East region and TSP areas were yet to be finalized.

### **(iii) Surrender of BSNL Phones**

102. In response to a query of the Committee regarding surrender of fixed line telephones by BSNL customers during the years 2004-2005 and 2005-2006 it was informed that Telephones disconnected/surrendered were 34,17,052 during 2004-2005 and 35,98,390 during 2005-06 (upto 28.02.2006).

103. It was stated that more than 5 lakh telephone connections have been disconnected/surrendered in Andhra Pradesh Telecom Circle. More than 2 lakh telephone connections have been disconnected/surrendered in Gujarat, Karnataka, Maharashtra, Punjab, Tamil Nadu Telecom Circles and Kolkata Telephone District and more than 1 lakh telephone connections have been disconnected/surrendered in Kerala, Madhya Pradesh, Rajasthan, U.P. (E), U.P. (W) Telecom Circles and Chennai Telephone District.

104. The Committee then asked as to whether any study has been carried out to ascertain the reasons of surrender of telephones and also desired to be apprised of the corrective measures being taken to arrest the trend. In reply, it was stated that a study was conducted by BSNL to ascertain the reasons for such disconnections/surrenders through an outside agency namely M/sIDC in the year 2003-04.

105. The study was conducted in 45 cities spread across Andhra Pradesh, Chennai, Tamil Nadu, Gujarat, Maharashtra, Madhya Pradesh, Punjab, Rajasthan, Kolkata, Bihar, Jharkhand, UP (East). The main findings from the surveyed sample were:—

- (1) Out of total no. of surveyed sample ex-subscribers, 20% were defaulters on BSNL dues.
- (2) Majority of Ex-subscribers were long standing customers availing BSNL service for over 5 years.



- (3) 25% of the surveyed customers perceived that the monthly rent is high.
- (4) 21% respondents cited dissatisfaction with BSNL services like fault repair etc.
- (5) 55% of the surveyed ex-subscribers do not own any telephone as on date.
- (6) 18% of the surveyed Ex-subscribers still have the BSNL connection (had more than one connection before surrender) and only 9% have availed private operator service after surrender/disconnection of BSNL fixed phone.
- (7) 18% of surveyed Ex-subscribers switched over to GSM mobile service.
- (8) Out of the total surveyed Ex-subscribers, only 20% were business users who surrendered only 1-2 landline out of many they own today.

106. The Committee wanted to know the measures adopted by BSNL in providing quality telephone services to its customers in all the three segments *i.e.*, fixed, limited mobile and cellular mobile services. In reply, it was stated that BSNL had taken the following steps to provide quality services to its customers in respect of basic services:—

- (i) Introduction of Pole Less network.
- (ii) Replacement of under ground paper core cables by other systems in phased manner.
- (iii) Introduction of Wireless in Local Loop system to cover larger rural areas.
- (iv) Interactive Voice Response System (IVRS) based centralized fault booking at Short Distance Charging Centre (SDCC).
- (v) Monitoring performance of telephone exchanges/media on daily basis.
- (vi) Conversion of SBM into RSUs.
- (vii) Conversion of C.DOT 256 Port exchanges into AN-RAXs (Access Network-Rural Automatic Exchanges).
- (viii) Provision of maintenance free battery sets and Engine Alternators for back-up power supplies.
- (ix) Annual Maintenance Contract (AMC) entered for WLL equipments working in rural area including FWTs and provision of AMC in new supplies.

- (x) Provision of high capacity external maintenance free battery with FWT for providing larger talk time and standby time.
- (xi) Battery charger of FWT to operate in the voltage range of 90–300V.

107. Regarding mobile services it has been stated that GSM (Global System for Mobile Communications) based cellular mobile service of BSNL was working satisfactorily and in general meeting the Quality of Service parameters prescribed by TRAI (Telecom Regulatory Authority of India). GSM based cellular mobile network of BSNL is being continuously augmented and optimized for its performance. The network is also continuously monitored by BSNL to ensure performance as per the Quality of Standard (QoS) parameters by TRAI.

108. Commenting on the above measures the Committee pointed out that there was a general feeling (which has come through the regular use of telephony in rural areas) that the quality of service of BSNL was not at all satisfactory in the rural areas and that the performance of the private operators was much better. In reply to the above observation, the Secretary, DoT during evidence *inter-alia* stated as follows:—

“It is the fast growth that is actually resulting in certain problems of congestion of service both in terms of private operators as well as in terms of Government operators—BSNL and MTNL. MTNL operates in Delhi and Mumbai and the rest of the country is served by BSNL. So, whenever we talk of rural areas and the problem of congestion or problem of call drops, it is really the BSNL, which is the agency concerned. BSNL has undertaken a massive extension programme. They had some difficulty in their contract with a company called NORTEL both in the eastern region as well as in the southern region. That is being set right and hopefully in a few months, things should be much better. But I must also say this that for some time to come while we will make all efforts to see that the quality of service is absolutely impeccable, at the same time, for some time to come, because of the growth involved, there is likelihood of some amount of problems being experienced from time to time. It is something like it is a chase we keep making, but at times I am afraid that BSNL does fall short of requirement because of the technological problems.

Now so far as why the private sector is able to do better, as I said, the statistics do not indicate that. But again here if we go by the perception, I could only perhaps submit that they are in a

position to choose their pace of expansion much more than BSNL is able to choose because ultimately the demand comes from the BSNL and everybody expects BSNL to really perform..... As I said, if I have to go purely by the statistics that are available to me under the quality of service report given by TRAI for the quarter ending 31st march, 2006, I would be simply stating that these figures reflect that BSNL is performing as well, if not better than some of the private operators..... I would also like to point out that currently BSNL is in the process of expanding its network by 60 million lines more. This year they are likely to add about 20 to 25 million lines. .... So some of the problems also arise purely because of the fact that work is going on. It is akin to something like there being congestion on the roads when Metro work is undertaken. There are several factors that result in this yet I would say that there is no scope for complacency. It will be our responsibility and it will be our aim to see that the quality of services is further improved. I will also report to you about the further steps that we are taking in this regard.”

**(iv) Outstanding Arrears**

109. As regards the circlewise outstanding telephone dues (Basic, WLL and Cellular) of BSNL as on 31st Dec., 2005, the following two statements were furnished to the Committee:—

**Outstanding Telephone (including WLL) dues as on 31.12.2005**

(Rs. in 000s)

Sl.No.	Name of the Unit	Net over 3 months old
1	2	3
1.	Andaman & Nicobar	103449
2.	Andhra Pradesh	3364528
3.	Assam	988458
4.	Bihar	1966487
5.	Jharkhand	1034917
6.	Gujarat	1460556
7.	Haryana	1060607
8.	Himachal Pradesh	107215

1	2	3
9.	Jammu & Kashmir	526851
10.	Karnataka	1477425
11.	Kerala	198642
12.	Madhya Pradesh	1571663
13.	Chhattisgarh	420333
14.	Maharashtra	2796119
15.	North East-I	575587
16.	North East-II	2375282
17.	Orissa	753870
18.	Punjab	1601185
19.	Rajasthan	485747
20.	Tamil Nadu	963752
21.	U.P. (East)	3878293
22.	U.P. (West)	1475053
23.	Uttaranchal	181221
24.	West Bengal	868036
25.	Calcutta	2420097
26.	Chennai	1265661
Total		33921034

**Circle-wise Outstanding Arrears of Cellular Service  
as on 31.12.2005**

(In thousands of Rs.)

Sl.No.	Name of circle	Gross outstanding	More than 3 months old outstanding
1	2	3	4
1.	Andaman & Nicobar	17339	13296
2.	Andhra Pradesh	417835	387986
3.	Assam	359424	200148
4.	Bihar	240672	184834
5.	Chennai	29902	24176

1	2	3	4
6.	Chhattisgarh	34214	16464
7.	Gujarat	399637	360516
8.	Haryana	70432	60034
9.	Himachal Pradesh	30954	29298
10.	Jammu and Kashmir	188215	81394
11.	Jharkhand	157663	125540
12.	Karnataka	402161	383119
13.	Kerala	183338	159688
14.	Kolkata T.D.	117208	81393
15.	Madhya Pradesh	122107	59434
16.	Maharashtra	720405	627676
17.	North East I & II	525005	342268
18.	Orissa	231369	169824
19.	Punjab	270297	270141
20.	Rajasthan	144801	129117
21.	Tamil Nadu	133548	112135
22.	U.P. (East)	384320	345079
23.	U.P. (West)**	263661	194993
24.	West Bengal	147495	113714
	Total	5592002	4472267

Note: \*\* U.P. (West) Circle includes Uttaranchal Circle.

110. Asked to state the measures taken to recover the outstanding telephone dues, it was replied that the following steps have been taken by BSNL for recovery of the outstanding dues:—

- (i) Circles have been addressed to ensure timely issue and disconnection of telephone bills. 35 days time limit for disconnection due to non-payment has been fixed.
- (ii) Every year targets for liquidation of outstanding dues for different billing periods for each Circle/Metro District are fixed and reviewed regularly.
- (iii) Circles are addressed time and again to liquidate its dues by Senior Officers. The DDG, Dir. (F) and CMD all are closely monitoring the progress in this regard.

- (iv) Instructions have been given for separate monitoring of Billing & Collections of High Callers who contribute major revenue for the department.
- (v) The phone is permanently closed after 3 months from the date of disconnection. If 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 Outstanding Pursuit Cell pursues the default cases.
- (vi) Instructions have been issued to the circles to hold meeting of liquidation boards and High power committees on time and at regular intervals and give suitable directions for recovery and write off of dues, which seems irrecoverable. Recovery and write off policies are being reviewed and monitored so that pace of liquidation and recovery is increased.
- (vii) Civil suits are also being filed against defaulters, if outstanding amount is more than Rs. 25,000.
- (viii) The State Governments have been requested to amend land revenue act so that Telephone bill defaulter is also treated as land revenue defaulters.
- (ix) BSNL Head Quarters has authorised 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.

111. The Committee then desired to know the circle-wise details of amount written off during the year 2005-2006. In reply, the following information was furnished to the Committee:—

**Details of Amount written off during 2005-06 (upto 31.01.06)**

Sl.No.	Name of the Unit	Written off	
		No. of cases	Amount (Rs. in 000s)
1	2	3	4
1.	Andaman and Nicobar	0	0
2.	Arunachal Pradesh	61123	39549

1	2	3	4
3.	Assam	808	1590
4.	Bihar	0	0
5.	Jharkhand	0	0
6.	Gujarat	27657	33861
7.	Haryana	759	353
8.	Himachal Pradesh	5703	1670
9.	Jammu and Kashmir	5730	11946
10.	Karnataka	19493	15844
11.	Kerala	3118	6993
12.	Madhya Pradesh	7819	2744
13.	Chhattisgarh	1660	1060
14.	Maharashtra	13014	20723
15.	N.E.-I	0	0
16.	N.E.-II	0	13468
17.	Orissa	123	306
18.	Punjab	6172	12886
19.	Rajasthan	8997	9678
20.	Tamil Nadu	37102	33492
21.	U.P. (East)	764	1047
22.	U.P. (West)	61	309
23.	Uttaranchal	653	889
24.	West Bengal	1476	2024
25.	Calcutta	401	71
26.	Chennai	6435	11055
Total		206368	221558

112. On being asked to reveal the circumstances that led to write off of more than Rs. 22 crores in the year 2005-2006 (upto 31st Jan., 2006), it was replied that cases were written off as whereabouts of subscribers were not traceable after observing necessary departmental formalities.

**(v) Vigilance in BSNL**

113. The Committee expressed their concern about the lack of vigilance in the BSNL over its officers. It was pointed out by the Committee that officers of BSNL posted in rural areas in collusion with the private operators were keeping the power supply down for as long as 2-3 hours. They also clandestinely sell diesel meant for generators and thereby bring a bad name to the organization and the nation. In reply, the representative of DoT stated during evidence on 30.05.06 as under:—

“Our network coverage is in each village. Each village has a tower. It may be possible that the power position in a particular village may be very bad and hence 24 hours power supply may not be there. We have received complaints of collaboration. We make a full enquiry and if we find that the officers have acted intentionally then we take action. ....I assure the Committee that we will have immediately in the next 15 days intensive vigilance raids done. For States like Bihar and may be any other State where there is problem like this, I will definitely have special vigilance agency located for this particular purpose.”

114. The Committee further pointed out that there was a general impression that the private sector was more efficient than the BSNL. This was also corroborated by the fact that approximately 55 per cent of the total telephone connections as on 31st Dec. 2005 were provided by the private operators whereas BSNL has 45% only. One of the reasons was that experienced officers from BSNL leave their jobs to join the private sector. The private sector made use of their experience as well as the linkages of such officers with the Government sector. Asked to comment, the Secretary, DoT during evidence stated as under:—

“As far as Government people joining the private sector is concerned, rules do exist the officers should not undertake, within two years of their retirement, a private sector job unless they have taken permission. We know that some of the officers have taken up jobs without permission and we are taking action against those people. But, as far as we are concerned, we will continue to follow the rules and regulations. I remember that once about two years back, we had asked the private sector people to indicate the overall number of people who had joined them who were earlier the Government servants. I would check it up.”



115. The Committee further queried as to how the Department would prevent the officers from using their previous influence to the detriment of BSNL. The Secretary, DoT replied stating:—

“It calls for a systematic effort. ....That calls for basically everybody in the system”.

#### XIV. Mahanagar Telephone Nigam Limited

116. Mahanagar Telephone Nigam Limited (MTNL) is one of the Public Sector Undertakings under the Department of Telecommunications (DoT). The company has been providing telecom services which include fixed, mobile (GSM as well as CDMA), internet, Broadband and Value Added Services in the metro cities of Delhi & Mumbai.

117. The approved Plan Outlay of MTNL for the year 2006-2007 is Rs. 2298 crore with no budgetary support. The resources are being generated by the company through its internal and extra budgetary resources.

118. Asked to furnish the details of the total outlay for MTNL in the Tenth Five Year Plan, the following statement was furnished.

(Rs. in crore)

Sl.No.	Heads	2002-03	2003-04	2004-05	2005-06	2006-07	Total for 10th Plan
1	2	3	4	5	6	7	8
(i)	Switching (Including TAX/Tandem) and Access lines (including CDMA/WLL Handsets, GSM) in existing and new areas	1062.80	978.40	967.80	1007.80	1001.40	5018.20
(ii)	E10B Scrapping	211.26	158.00	0.00	0.00	0.00	369.26
(iii)	IT related Services	120.00	76.00	106.00	112.00	154.00	568.00

1	2	3	4	5	6	7	8
(iv)	International Long Distance Operations	500.00	500.00	250.00	250.00	500.00	2000.00
(v)	Expansion in New Service Areas Abroad and National acquisitions	2100.00	1150.00	200.00	250.00	300.00	4000.00
	Total	3994.06	2862.40	1523.80	1619.80	1955.40	11955.46

119. As may be seen from above, the Tenth Plan Outlay for MTNL has been fixed at Rs. 11955.46 crore, the yearwise break up being Rs. 3994.06 crore in 2002-2003, Rs. 2862 crore in 2003-2004, Rs. 1523.80 crore in 2004-2005, Rs. 1619.80 crore in 2005-2006 and Rs. 1955.40 crore in 2006-2007. But the outlays approved (RE) during the first four years of the period have been Rs. 7955 crore, the break up being Rs. 2180 crore in 2002-2003, Rs. 2026 crore in 2003-2004, Rs. 2220 crore in 2004-2005 and Rs. 1529 crore in 2005-2006. The Actual Expenditure in the first four years of the Plan period has been stated to be Rs. 1053.91 crore, Rs. 965.91 crore, Rs. 1038.48 crore and Rs. 1219 crore (anticipated) respectively.

120. In the above context, the Committee enquired about the reasons for the consistent reduction of the proposed outlays at the RE stage of the first four years of the Plan period and even after such reductions, why the actual expenditure in all the four years have fallen short of the approved amount, and specifically wanted to know the proposal of the company to utilize the balance of Rs. 7678.16 crore in just one year in view of the fact that the percentage of expenditure in the first four years was just 35.78.

121. In response, it has been submitted that the 10th Five Year Plan which has been projected by MTNL is an ambitious plan and perspective in nature. Due to fierce competition in the telecom sector, the 10th Plan projections might change in dynamic market situation with a number of players in both the cities of Delhi & Mumbai. MTNL will require additional avenues in view of erosion in its resources to maintain overall growth of the company. The entries of number of players in both Basic & Mobile Services has created tremendous uncertainty about the share of business which MTNL is likely to retain

in the market and, therefore, Annual Plan targets as projected in the 10th Plan document might be revised in accordance with the market dynamics.

122. Some of other reasons for reducing the BE in the RE and falling short in actual expenditure are as under:—

- (i) Falling price of equipment.
- (ii) Limited opportunities available for the expansion in service areas abroad.
- (iii) Limited opportunities available for the expansion in service for National acquisition.
- (iv) Due to fierce market competition in the telecom sector the plan has to be dynamic and prospective in nature.
- (v) MTNL has made an ambitious plan to meet out the challenges.

123. The Financial Outlay for the year 2006-07 for MTNL is Rs. 2298 crore, the BE details of which are as under:—

Sl.No.	Items	Financial Outlay (Rs. in crore)
1.	Switching Capacity including capacity for WLL & GSM	1599
2.	Tax/tandem Capacity	35
3.	Deployment of DLC/DSLAM	160
4.	Optical Fibre Cable	87
5.	IT related services including Convergent billing, Certifying Authority, data warehousing & International Bandwidth	250
6.	Building projects	37
7.	Rehabilitation of existing Land line Cooper Network	50
8.	International Long Distance Operations	30
9.	Expansion in New Service Areas Abroad and National Acquisitions	50
	Total	2298

124. Having achieved the telephone on demand situation in both the cities, the main thrust in 2006-07 will be customer satisfaction and introduction of new services/schemes for customers benefit. Action will be taken to generate fresh demands by innovative marketing strategies and better customer care.

125. As regards the physical targets and achievements on the part of MTNL during the first four years of the Tenth Plan *i.e.*, 2002-2003 to 2005-2006, the following statement was furnished to the Committee.

**The Percentage achievement of plan targets (both in physical and financial terms) during proceeding of the plan**

**Physical Targets and Achievement during first four years of Tenth plan (From 2002-03 to 2005-06)**

Sl.No.	Name of the Scheme/Project	Tenth Plan		2002-03			2003-04			2004-05			2005-06			Total Achievement (6+9+12+15) in 02.03.03-04.04.05 and 2005-06 (as on Dec. 05)— as % of 10th plan targets.	
		Approved Target		Targets			Targets			Targets			Targets				
		BE	RE	BE	RE	Achvet	BE	RE	Achvet	BE	RE	Achvet	BE	RE	Achvet		
1.	Net new connections including WLL and cellular connections (Lakhs)	27.57	5.49	3.30	2.37	3.50	3.50	-1.48	5.00	5.00	3.19	8.00	8.00	3.56	7.65	27.71%**	
2.	Net switching capacity including capacity for WLL and GSM (Lakhs)	30.57	4.03	1.50	3.02	4.00	4.00	3.25	9.20	9.20	8.23	10.00	10.00	0.87***	15.37	50.28%	
3.	TAX/Tandem Capacity (Lakhs)	4.48	1.42	0.50	0.0009	0.50	0.50	0.49	2.08	1.00	1.16	0.64	0.48	0.03	0.52	11.63%	
4.	DLCs (Nos)	2100	500	200	165	200	200	122	470	470	384	—	—	—	671	31.95%	

126. It has also been observed from another statement that the Tenth Plan approved target for provision of net new connections including WLL and cellular was 27.57 lakh whereas the achievement as on 31 December, 2005 has been 7.65 lakh only, the percentage of achievement being 27.71 during the first four years of the plan period. Similarly, in net switching capacity including capacity for WLL and GSM, the Tenth Plan target was 30.57 lakh whereas the achievement during the first four years of the plan period (as on 31 December, 2005) has been 15.37 lakh, the percentage of achievement being 50.28 only. Similar shortfalls have also been observed in achievement of targets in DLCs, OFC and PCUT Cable replacement.

127. It has also been observed that in some schemes like Broadband, Internet etc. targets have not been specified in the Plan document.

128. Asked to explain the reasons for such poor performance on the part of MTNL in the achievement of targets in the aforesaid schemes during the Plan period, it was stated that during 2005-06, MTNL has seen tremendous growth in the cellular subscribers, which have grown from 8.8 lakhs to 17.2 lakhs up to February 2006. In spite of being a late entrant in the GSM market, MTNL has captured 17% market share in Mumbai and 14% market share in Delhi. During the year, MTNL has added 170725 Broadband subscribers.

129. During the plan period, the achievement in respect of various parameters up to February 2006 was stated to be as under:—

Sl.No.	Parameter	Plan Target	Achievement (Feb. 06)
1.	Net switching capacity including WLL and Cellular (Lakhs)	30.57	33.26
2.	New connection including WLL and cellular (Lakhs)	27.57	13.34
3.	DLC	1700	990
4.	OFC (Fiber Kms)	241920	213619
5.	PCUT replacement (Lakh Conductors Kms)	58.31	38.66

130. The achievement of targets in 2005-06 in various parameters, up to February 2006, is as under:—

Sl.No.	Parameter	Plan Target (2005-06)	Achievement (Feb. 06)
1.	Net switching capacity including WLL and Cellular (Lakhs)	1000K	1094.709K
2.	New connection including WLL and cellular (lakhs)	800K	515.406K
3.	DLC (Deployment of DLC/DSLAM)	800K Port	353.604K
4.	OFC (Fibre Kms)	18000 Fibre kms	26509.924
5.	PCUT replacement (Lakh Conductors Kms)	—	23.03915

131. The Committee were further informed that the physical targets for the year 2006-2007 were as under:—

Sl.No.	Items	Physical Targets
1.	New connections including WLL & Cellular connections	1000K
2.	Switching Capacity including capacity for WLL & GSM	2000 K Lines
3.	Tax/tandem Capacity	64K Lines
4.	Development of DLC/DSLAM	500 K Port
5.	Optical Fibre Cable	18000 Fibre Kms
6.	IT related services including Convergent billing, Certifying Authority, data warehousing & International Bandwidth	—
7.	Building projects	—
8.	Rehabilitation of existing Land line Copper Network	—
9.	International Long Distance Operations	—
10.	Expansion in New Service Areas Abroad and National Acquisitions	—

132. On being asked to state whether any shortfalls were anticipated by the end of the Plan period and the preparation of the Company to

achieve the remaining targets during the last year of the Plan period, it was replied that no shortfall was anticipated in the schemes except a minor shortfall in case of new telephones connections since there was a general decline in the demand for fixed line telephone and there was a tendency to shift to cellular mobile service. However, fixed lines telephones were available "on demand" in MTNL. Moreover with introduction of Broadband service, demand for fixed line was expected to grow and efforts were being made to achieve this plan target also.

133. The Committee then asked about the non specification of targets, in some of the schemes, in the Plan Document. In reply, it was stated that when the 10th five-year plan was drafted, some of the technologies were either in the nascent stage or they were not available at all and forecast for induction of these technologies in the MTNL network was not predictable. Hence some of the schemes were not specified in the plan document.

134. In the Action Taken Notes on the recommendations of the Committee on Demands for Grants 2005-2006 on outstanding arrears, the Ministry stated that the outstanding arrears of Rs. 1224 crore for fixed and WLL connections had come down to Rs. 1163 crores by March 2005. Further, in response to a query of the Committee regarding the quantum of outstanding arrears of telephone bills in Delhi and Mumbai or Basic, CDMA and GSM services, it was stated that the outstanding arrears of telephone bills in Delhi and Mumbai as on 28 Feb., 2006 was Rs. 1110.13 crore for fixed lines, Rs. 82.67 crore for CDMA and Rs. 137.84 crore for GSM. The detailed breakup was stated to be as follows:—

(Amt. in crores)

<b>Outstanding as on 28.02.2006</b>			
Services	Delhi	Mumbai	MTNL
Basic	719.37	390.76	1110.13
WLL (Mobile)	67.52	15.15	82.67
GSM	75.03	62.81	137.84
<b>Total</b>	<b>361.92</b>	<b>468.72</b>	<b>1330.64</b>

**Age wise analysis of outstanding (As on 28.2.2006)**

Period	Basic	WLL (Mobile)
Upto 1995-96	210.50	—
1996-97 to 2000-01	345.51	1.33
2001-2002	90.67	1.16
2002-2003	83.56	2.15
2003-2004	110.12	10.79
2004-2005	84.73	39.42
Current year upto Feb-2006		
More than six months	47.97	18.82
Less than six months	137.07	9.00
<b>Total</b>	<b>1110.13</b>	<b>82.67</b>

135. It was also stated that out of the arrears of basic services, 1.73 per cent pertains to the Government Departments and 98 per cent to private subscribers.

136. Asked to furnish details of the write off the outstanding arrears during the last three fiscals, the amount involved therein and the reasons therefor, it was informed that the amount written off, year wise was as follows:—

2003-04	16.30 Crores
2004-05	7.31 Crores
2005-06	13.29 Crores*

\*Figures are upto Feb' 06

137. Asked to state the reasons for write off of the above amount it has been stated that the write off has been made as per rules, for the following reasons:

- (i) Party not traceable despite best efforts. Police report for confirmation is obtained where outstanding is more than Rs. 50,000/-
- (ii) In the case of old outstanding dues, the payment has not been forthcoming despite all efforts and the party has



disputed bills and wants details of claims but details cannot be given for want of relevant records and the amount is not large.

- (iii) Where all possible efforts made to realize the dues have proved futile and further pursuance is considered uneconomical and hence not worthwhile.

138. As regards measures adopted to recover the outstanding dues the Committee have been informed that the following innovative measures are being adopted to recover the outstanding:

- (a) An overall '**Revenue Assurance Programme**, is being implemented for improving overall revenue of the Company. The Revenue Assurance Programme entails the following:
  - (i) Creation of correct and timely commercial data, to ensure that bills are issued as per category of subscriber and in time.
  - (ii) Reconciliation of calls generated and calls billed.
  - (iii) Enabling greater customer convenience in making payments to facilitate payments.
  - (iv) Review of payments received and disconnection of telephones in 35 days for non-payment and other recovery process.
- (b) A **Convergent Billing System** has been ordered on M/s BEL. This will be implemented over a period of 12 months. It will enable seamless linkage of commercial records with billing system. It will also enable online monitoring of outstanding dues. Credit Control System included in this is expected to control growth of outstanding dues in future.
- (c) **Billing Audit** is being instituted, to audit complete commercial/billing data to ensure accurate and comprehensive billing.
- (d) **Two Tier Task Force** are being crated for monitoring reduction of outstanding as follows:
  - **A Unit Task Force** under Executive Director of the unit to monitor outstanding of Rs. 5 lakh and above.
  - **Area Task Force** consisting of Deputy General Manager (Finance) and Chief Accounts Officer (Telephone Revenue) for outstanding bills ranging upto Rs. 5 lakhs.

139. The progress of reduction of heavy outstanding dues by the Unit Task Force shall be reviewed on fortnightly basis by Director (Finance) in Corporate Office and remedial steps taken as required. A monthly progress review shall be taken by Corporate Office.

#### **XV. ITI Limited**

140. The Committee were informed that ITI had envisaged an overall capital outlay of Rs. 790 crore for the Tenth Plan period (2002-2003 to 2006-2007). However, in view of severe financial constraints faced by the company and based on the review, the capital outlay for the Tenth Plan was revised to Rs. 483 crore. The actual expenditure during 2002-2003, 2003-2004 and 2004-2005 has been stated to be Rs. 104.51 crore. During the year 2005-2006, a commitment has been made up to Rs. 64.83 crore till 31 December, 2005. For the year 2006-2007 the outlay proposed by ITI is Rs. 100 crore.

141. It has also been stated that the major reasons for reduced level of capital expenditure are (i) expenditure restricted due to financial constraints, (ii) investment/expenditure limited to Government grant due to non-availability of internal resources; and (iii) investments deferred pending receipt of Government approvals for WLL CDMA project.

142. From a statement furnished to the Committee it has been observed that there have been shortfalls in the achievement of targets by ITI in Switching, Transmission and New products in the entire Tenth Plan period due to inadequate, late and no orders at all.

143. In the above context, the Committee desired to know whether ITI would be able to fulfil its commitment and the planning of the company to revitalize its resources for speedy implementation of new schemes and also focus on up-gradation of the existing infrastructure. In reply it was stated that as on date, the anticipated Capital Outlay taking into account the earlier expenditures from 2002-03 (Rs. 31.72 crore), 2003-04 (Rs. 10.86 crore), 2004-05 (Rs. 61.93 crore), anticipated Capital Expenditure of 2005-06 (Rs. 95.00 crore) and Planned Capital Outlay for 2006-07, the overall Capital Expenditure estimated to be incurred by ITI during the 10th Five Year Plan would be Rs. 300 crore. Accordingly, there would be a short fall of Rs. 183 crore taking into account the expenditure of Rs. 100 crore during 2006-07. Further, given the severe financial constraints being currently faced by ITI, the Capital Outlay of Rs. 100 crore for 2006-07 has been envisaged by ITI in anticipation of Government grants being made available to ITI. The Capital Outlay for 2006-07, which is the last year of the 10th Five Year

Plan has been prepared after taking into account the expenditures during the previous years as well as the anticipated expenditure during 2005-06. Accordingly, in view of the severe financial constraints faced by ITI through out the 10th Five Year Plan period, the overall anticipated capital expenditure for ITI during the 10th Five Year Plan would be Rs. 300 crore.

144. It has further been stated that in view of the severe competition prevailing in the Indian Telecom Sector, the requirement of such equipment however, is relatively less and quite uncertain. The Telecom sector is undergoing tremendous technological evolutions through new product introduction and network solutions. ITI believed that the set back in 2001-02 & 2002-03 was due to a lull in introduction of new products, which became essential due to obsolescence. To be in pace with the requirement, ITI has acquired new technologies. Accordingly, given the complex technological and highly uncertain most competitive market scenario prevailing in the Indian Telecom Sector, the financial/physical target/achievement are essentially dependent not only upon the upgradation/replacement of continuing products and R&D requirement for adoption/development of new products/solutions, but also on the market projections being contemplated/realized by the premier PSU Service Providers *viz.* BSNL & MTNL. In addition to such telecom equipment required by BSNL/MTNL etc.; network solutions/IT sector related products are also being catered to by ITI.

145. In view of details enumerated above, ITI has already proposed its Capital outlay requirement during 2006-07 to address the Technological advancements that are contemplated in the Indian Telecom Sector requesting for Government grant for speedy implementation of New Schemes (to the tune of Rs. 77 crore). Further, in order to focus on upgradation of existing infrastructure, the requirement of Rs. 23 crore have been projected under R&D, Continuing Schemes and provisions for Contract Manufacturing/new projects to be identified. During 2005-06, taking into account the immense growth potential anticipated in Mobile sector, ITI has already geared up to manufacture of 9 million lines per annum of GSM BTS manufacture as well as 10 million nos. of SIM Cards. Implementation of New Projects like ADSL DSLAM equipment manufacture, Soft switch based IP TAX has been initiated. ITI has, however, sought Government grant of Rs. 100 crore for implementation of its projects/schemes.

146. Asked to attribute the reasons for ITI not getting adequate and timely orders and measures taken to plug loopholes in this regard,

it was replied that the reasons for not getting adequate and timely orders were as follows:—

- (i) During 2005-06, BSNL & MTNL did not notify and open any of the major tenders in the Telecom equipment segment like CDMA Infrastructure, GSM, DWDM, switching equipment and other IT related tenders. Items like SDH systems were notified and postponed many times.
- (ii) With respect of New Technology Switching tenders (NGN tender for IP TAX of BSNL) bids were submitted in October 2004 for BSNL Pilot Projects is still under evaluation. Hence, ITI could not make headway for the NGN Technology for Switching.
- (iii) CDMA Infrastructure orders to ITI were declined due to low and unviable prices and the unfavourable PO conditionis. Successful L1 bidder did not accept the orders at their quoted rates and ITI at L3 was offered L1 prices.
- (iv) New technology products are being taken up by the customer on turn-key basis. ITI Cash flow got affected due to uneasy payment terms given for turnkey projects. Earlier, ITI was executing only supply orders with 95% payments on dispatches compared to turnkey project payment terms of 50% on dispatches.
- (v) Regarding the SDH orders on ITI during the above period, BSNL were issuing the POs with prices linked to the earlier tenders or the new tenders to be opened at a future date whichever is lower. Quantum of orders received also got affected due to the provisional price offered against RQ orders.

147. As regards measures taken to get adequate orders, it has been stated that in addition to taking care of the manufacturing related business, ITI has diversified its operations to venture into execution of turnkey projects. As of to-day, ITI is a top turnkey service provider in the country and will continue to make efforts to retain the position by taking up various turn-key projects from various telecom operators and also other customer segment like Defence and turn-key IT projects from State Government and other large industries.

148. The Committee then desired to know the reasons for low turnover and losses of the company during the year 2005-2006.

In reply, it was stated that the company was expected to achieve a turnover of Rs. 1800 crore during 2005-06 and estimated loss was around Rs. 435 crore (Prov.) The reasons for the lesser turnover and the loss being incurred are as under:—

**Reason for Low Turnover:**

1. Late receipt of targeted orders relating to MLLN STM, IPTAX, IFWT, SSTP etc.
2. Non-receipt of orders for WLL CDMA and short closure of IFWT orders.
3. Late receipt of GSM orders and conclusion of supply agreement with collaborators.
4. Working capital availability with the company being inadequate to increase turnover level from Rs. 1350 crore to more than Rs. 18000 crore.
5. Subsequent to company being declared sick by BIFR, banks are not even extending the existing sanctioned limits. This has resulted in difficulty for opening of LC and bank guarantees resulting in turnover getting affected.

**Reasons for Losses:**

1. Low contribution due to major production coming from trading and turnkey solutions, where contribution is very low.
2. High fixed cost and social cost obligations.
3. High financing expenses due to dependence on borrowings for funding operations consequent upon incurrence of losses.

Expressing their concern at the functioning of ITI the Committee enquired about the steps being taken to revive this loss-making unit. The representatives in evidence stated as under:

“As far as ITI is concerned, it is true that the Government has given Rs. 1024 crore as revival fund and most of that money was applied except certain amount due to VRS. That is because the Government is in the process of reviving it, not many people wanted to quit the company. VRS is not something that can be forced. Therefore, to that extent some money is lying unutilized as far as VRS is concerned.

The fact of the matter is that in 2005-06 ITI has still incurred a loss. Therefore, I would not be in a position to say that ITI is revived except that the amount of loss has come down. Hopefully this year things will be definitely better. But, we are now trying to see that first of all ITI ensures that it manufactures without any loss in activity and, secondly, that it undertakes to manufacture for various people so that it becomes a contract manufacturer. These are some of the steps that are afoot in that direction. But they are still in the early stages. Government's intention is to revive the ITI because there are seven plants dispersed all over the country, and we will continue to make efforts in this direction".

## XVI. Other Issues

### (i) Access Deficit Charges (ADC)

149. The Committee desired to know the views of the Department and also other details about ADC in the wake of TRAI's recommendations for reduction of ADC charges to be paid to BSNL and MTNL by other operators. In reply, it was stated that TRAI has issued an IUC Regulation on 23rd February, 2006 where, out of the total estimated ADC of Rs. 3335 crores, BSNL share is estimated as Rs. 3200 crores. However, as per IUC Regulation of 6th January, 2005, out of the total estimated ADC of Rs. 5669 crores, this share was estimated as Rs. 4954 crores. The details in tabular form are as under:—

Period	Estimated Sectoral ADC (Amount in Rs. Crores)	Estimated Share of BSNL (Amount in Rs. Crores)
01.02.2005 to 31.01.2006	5669	4954
01.03.2006 to 28.02.2007	3335	3200

BSNL had indicated that as per their assessment the total ADC receipts were expected to be of the order of Rs. 3700 crores against Rs. 4954 crores. BSNL has filed an appeal in TDSAT against reduction of ADC and Termination Charges.

150. Giving their views on the reduction of ADC the Department stated in a written reply as under:—

"Regulations are issued as per the section 36 of Telecom Regulatory Authority of India Act, 1997 and as per section 37 of the Act,

Parliament can intervene therefore, it is not possible for DoT to intervene. However, the operators can challenge the Regulations in appropriate court of law including TDSAT.”

**(ii) Spectrum Issues**

151. The Committee have been informed that the urgency for coordination/vacation of spectrum by Defence for the growth of mobile services as well as introduction of 3G services has been recognized at all levels. The Ministry of Defence have requested for this project to be undertaken by DoT with DoT funds for faster execution etc. The equipment details and fund requirements/phasing are being worked out by a Project Definition Team (PDT). The report of the PDT is expected shortly and the project needs to be implemented on an urgent basis. It was also stated that some additional spectrum for GSM as well as CDMA based networks has been made available to some Service Providers who have met the criteria, after the presentation of this Committee’s Report on Spectrum Management. The criteria for further allotment of spectrum of GSM as well as CDMA networks have also been announced.

152. The Committee desired to be apprised of the latest position in this regard and specifically asked about the progress made in allocating more spectrum to GSM and CDMA operators since the presentation of this Committee’s Report on Spectrum Management. The Secretary DoT during evidence stated:—

“As far as spectrum policy is concerned, it is under finalization. It will take a month or two more. It will take a couple of months; in the meanwhile, we are going ahead with getting the additional spectrum of 45 MHz released which should come by September or October. So, I will not say that it is over, but up to 45 MHz, we have arrived at an understanding and we are talking of Rs. 1,000 crore project. An amount of Rs. 100 crore has been provided in the budget; and there is an understanding that more amount will be provided. We have asked the Finance Ministry to make additional provision; otherwise also, some money is required and we will ask the BSNL to put in money.”

**(iii) Sharing of Towers**

153. The Committee learnt that only 30 percent of the sites/towers across the country were shared amongst various telecom service providers. In this context, the Committee asked whether the Government were contemplating to bring out any legislation for



prudent sharing of towers/infrastructure by all the telecom service providers. In reply, it was stated that while exact statistics about the percentage of towers shared were not available, it could be stated that in the rural areas such sharing has already started. The economic advantages of such sharing are likely to be seen by the telecom service providers against the background of the demand in the areas to be covered and the impact such sharing will have on their revenues. A new category of entrepreneurs, *viz.*, Infrastructure Providers, have now entered the scene and it would be prudent to expect that sharing of infrastructure may now become the trend.

154. It has further been stated that while no legislation for sharing of tower/infrastructure is contemplated, paucity of adequate sites for setting up infrastructure in the urban areas and the economic advantages of such sharing will encourage telecom service providers to move in this direction. The Government will promote and incentivise such sharing.

#### **(iv) Unsolicited Calls**

155. The Committee understand that unsolicited calls are unwanted calls on the mobile *e.g.* calls for loans, credit cards, insurance, mutual funds, club memberships etc. The Committee learnt that the Supreme Court has recently issued directives to the Central Government to take necessary action at the earliest to curb the menace of unsolicited calls. Last year, TRAI had suggested that the unwanted telemarketing calls could be addressed through publication of a mobile telephone Directory, Directory enquiry service and other measures. This Committee had also recommended in their earlier Report that the Government should bring out an appropriate legislation to counter the problem.

156. In the above context, the Committee desired to know the latest position and also wanted to know the views of the Department of TRAI's suggestions to bring out a mobile telephone directory. In reply, it was stated that a Writ Petition (No. 35 of 2005) was filed by Dr. Harsh Pathak in the Supreme Court of India regarding unsolicited calls. The matter came up for hearing on 6th March, 2006 and the court has passed an order that Union of India must take steps and call a meeting of the cellular operators as well as basic service operators and discuss with them about the machinery to ensure that unsolicited calls could not be received on mobile phones.

157. Accordingly, a meeting was convened under the chairmanship of MOC&IT on 13th march, 2006 and it was decided that the telecom operators would examine the pros and cons of alternative to address



the issue based on international practices and submit their comments within two weeks. The comments in this regard have been received from some telephone operators and were being compiled.

158. Further, in regard to publication of the Telephone Directory, it was submitted that the recommendations of TRAI was under examination.

#### **(v) Convergence and Next Generation Network**

159. The Committee learnt that TRAI recently decided to give its recommendations on Convergence and Next Generation Network (NGN) to the Department of Telecommunications (DoT). This Committee had also already given their recommendations on convergence in their Report on 'Communication Convergence Bill, 2001'. In this context, the Committee asked whether TRAI has already given its recommendations on the issues and the action taken by DoT in this regard. In reply, it has been stated that the Government have received recommendations of TRAI on issues relating to "Convergence and Competition in Broadcasting & Telecommunications" and next Generation Network (NGN) very recently and the recommendations are under consideration in the Department.

160. Asked to state the priorities being accorded towards introduction and expansion of NGN in the country, it has been informed that the Licences are technology neutral and licensees are allowed to use circuits switched and packed switched technology. As per the licence condition, the technology should be based on standards issued by ITU/TEC or any other international standard organization/bodies/industries. Introduction and use of technology in the network by the licensee is techno-commercial decision of a company.

161. The recommendations have been submitted very recently and are under examination. It was also stated that some operators were going to adopt NGN technology in their network in near future.

#### **(vi) Quality of Service**

162. The Committee learnt that TRAI has recently issued show cause notices to individual private cellular operators for not meeting the Quality of Service (QoS) standards. In that context, the Committee asked whether the operators have already responded to such notices and whether at any point of time similar notices have ever been served to BSNL and MTNL. In response it was stated that the Telecom Regulatory Authority of India (TRAI) has issued show cause notices

to 6 mobile operators (BPL Mobile Cellular Ltd.,) Bharati Televentures Ltd., Reliance Infocomm Ltd., Tata Tele Services Ltd., Tata Tele Services (Maharashtra) Ltd., Reliance Telecom Ltd., and Spice Communications Pvt. Ltd.) for deterioration in congestion level in their Point of Interconnections (POIs) for the period September-December 2005. As Cellular Operators Association of India (COAI) and some of these companies have filed an appeal to the Hon'ble TDSAT against TRAI show cause notices, TRAI has decided not to proceed against these companies till the decision of the Hon'ble TDSAT.

**(vii) Different Tariffs**

163. The Committee also learnt that TRAI has recently issued a directive asking the private operators not to charge different tariffs for calls terminating on BSNL's Cell One Network in the neighbouring service areas of Maharashtra, Tamil Nadu, West Bengal and Uttar Pradesh, since inter-service area connectivity has been permitted in these four States. It was also learnt that the Cellular Mobile Operators were up in arms against the above said directive of TRAI.

164. In the above context, the Committee desired to know the exact recommendation of TRAI in this regard and the reasons of opposition of the Cellular Operators to the said directives. In reply, it was stated that TRAI in its directive dated 27th February, 2006 directed private GSM operators to discontinue differential tariff, wherein the tariff for calls terminating in the mobile networks of BSNL/MTNL were being charged at a higher rate compared to calls terminating in the network of private mobile operators in four States. It was also clarified that this was not TRAI's recommendation but it was TRAI's directive to the concerned service providers.

165. The reason given by the cellular operators and also by COAI is that private operators have established direct connectivity between each other's network in these four States. However, in case of BSNL/MTNL, the direct connectivity is yet to be established because of delay in getting leased circuits and the calls are carried from their network to BSNL/MTNL network through NLDO. Because of this, additional carriage charge is payable to NLDO and the tariff for calls terminating in BSNL/MTNL are being charged at a higher rate compared to calls terminating in the network of private mobile operators.

166. The Committee then asked about the salient features of the inter service area connectivity, its benefit to the consumers and the proposal to extend the connectivity to all the States/Circles. In reply, it was stated that the arrangement for dialing and routing of calls

from mobile to mobile and fixed to mobile in the metro districts of Kolkata, Chennai & Mumbai and their corresponding remaining part of the States and for service areas of UP (East) & UP (West) were different when compared to other States in India.

167. In order to correct the above aberration, in public interest, it was decided to permit inter-service area connectivity between access providers in the States of Maharashtra (Mumbai Metro & Maharashtra Telecom Service Areas), Uttar Pradesh (including Uttaranchal), [UP (East) & UP (West) Telecom Circle Service Areas] and West Bengal (Kolkata Metro & West Bengal Telecom Circle Service Areas).

168. The dialing procedure for calls within a State for these States were also simplified *i.e.* dialing of mobile-to-mobile subscribers and fixed-to-mobile subscribers would be without prefixing '0'.

## PART II

### RECOMMENDATIONS/OBSERVATIONS

#### *I. DoT Budget*

1. The Committee note that the approved Plan Outlay of the Telecom Sector for the year 2006-07 is Rs. 19,509.31 crore including Budgetary Support of Rs. 218.61 crore. As against this, the Plan outlay for the year 2005-2006, including its Public Sector Undertakings (PSUs), was Rs. 11,801.01 crore with a Budgetary Support of Rs. 168.61 crore. In the 2005-2006 Revised Estimates, although the Plan Outlay was increased to Rs. 17,143.40 crore, yet the Budgetary Support was reduced to Rs. 102 crore. The reduction in the Budgetary Support was made mainly on account of reduction of Plan Outlay for Wireless Planning and Coordination Wing (WPC), Wireless Monitoring Organisation (WMO) and Centre for Development of Telematics (C-DOT) due to delay in completion, testing and delivery of different components of the World Bank Project as well as due to delay in acquisition of land and completion of civil works. The Department's statement that no Project or scheme was sacrificed due to reduction in the Budgetary Support is not at all convincing in view of the fact that non-completion of any Project/Scheme within the given time frame and carrying forward the same to subsequent fiscals adversely impact the budgetary assessment and approval. Moreover, when a token provision of Budgetary Support is not utilised fully and has to be reduced at the RE stage, it tends to create bad precedents. The Committee, therefore, recommend the Department of Telecommunications (DoT) to ensure that its field/subordinate offices and the PSUs under the administrative control, complete their Projects/Schemes on time including the four new Projects *i.e.* setting up of Telecom Testing and Security Certification Centre (TETC), Technical Assistance, Undersea Cabling between the Mainland and Andaman & Nicobar (UM&AN) and OFC based network for Defence Services so that the 2006-2007 Budgetary Support of Rs. 218.61 crore is optimally utilized.

2. The Committee note that the Department of Telecommunications had sought Rs. 2,729.87 crore during 2005-2006 as Supplementary Grants for transfer to USO Fund, providing compensation for rural telephony, reimbursement of license free and spectrum charges to BSNL etc. But a sum of Rs. 1729.87 crore only

has been provided as Supplementary Grants as a result of which the committed liabilities are carried forward. The Committee feel that if timely and adequate compensation are not provided to the Telecom Service Providers for the economically unviable projects, provision of rural telephony is bound to suffer. They, therefore, impress upon DoT to earnestly pursue the matter with the Ministry of Finance so that the committed liabilities on account of payment of compensation to Telecom Service Providers are fulfilled on time.

## *II. Universal Service Obligation*

3. The Committee note that during the year 2004-2005 (BE&RE) a sum of Rs. 2,700 crore was estimated for the USO Fund whereas the actual allocation and utilisation was Rs. 1314.85 crore only. Similarly in the 2005-2006 BE, Rs. 5000 crore was estimated to the Fund but the same was reduced to Rs. 2,660 crore at the RE stage and the actual allocation and utilisation was Rs. 1,750 crore only. A provision of Rs. 1,500 crore has been made in the Budget proposals for 2006-2007 against the estimated requirement of Rs. 3,500 crore. Thus, during the years 2004-2005, 2005-2006 and 2006-2007, the estimated requirement to the USO Fund was Rs. 11,200 crore whereas the actual budgetary allocation has been Rs. 4564.85 crore only, leaving a shortfall of Rs. 6635.15 crore. The Committee are informed that for the shortfall in the budget allotment, requisition will be made for additional funds in the 2006-2007 Revised Estimates. If sufficient budgetary allocation is not made in the 2006-2007 RE also, the matter will be taken up with the Ministry of Finance and as a last resort, the unpaid liability, if any, will have to be carried forward to the next financial year. The Committee wonder, how long the committed and unpaid liability will have to be carried forward for want of adequate budgetary provision. It, therefore, becomes imperative on the part of the Department to forcefully present the case before the Planning Commission/Ministry of Finance to get adequate budgetary provision for the USO Fund for timely disbursement towards the committed liabilities. The Committee feel that the Department stand a good chance in this regard in view of the characteristics of the Universal Service Obligation and the consistently optimal utilisation of USO Fund over the years.

4. The Committee observe that so far Rs. 8,796.40 crore has been collected from various service providers towards Universal Service

Levy (USL), the year-wise breakup being Rs. 1653.60 crore in 2002-2003, Rs. 2143 crore in 2003-2004, Rs. 3,458.73 crore in 2004-2005 and Rs. 1542.07 crore in 2005-2006 (upto October, 2005). According to the Department, the funds collected on account of the USO levy will be sufficient to support provision of village Public Telephones (VPTs), Rural Community Phones (RCPs), Public Telecom Information Centres (PTICs), Rural household Direct Exchange Lines (RDELs) and replacement of Multi Access Relay Radio (MARR) based VPTs, provided the levy is allotted to the USO Fund. In view of the fact that all the above mentioned activities covered under Universal Service Support Policy (USSP) agreements are to be maintained and subsidy support to be provided during 2006-2007, the Committee would like the Department to explore all options for the smooth and timely transfer of the US levy to the USO Fund.

### *III. Tele-density and Rural Telephony*

5. The Committee note that as on 31 December, 2005, the overall teledensity of the country stood at 11.32 per 100 population, the urban-rural breakup being 34.77 and 1.79 respectively. Commercial unviability of providing communication infrastructure in rural areas and lack of infrastructure coupled with irregular power supply and difficult topography have been cited as reasons for the unimpressive growth of rural telephony. Provision of rural fixed line individual connections in 1,685 commercially unviable Short Distance Charging Areas (SDCAs) with support from Universal Service Obligation fund and provision of shared infrastructure for mobile services in rural areas are some of the measures reportedly being taken by the Department to facilitate speedy penetration of telecom services in rural areas. The Committee recognize the fact that the private sector, displaying dynamism and entrepreneurial spirit, has played a significant role in the growth of telecom services in the country. But that spirit has largely been confined to the urban areas as a result of which the teledensity in rural areas has remained abysmally low. The Committee, therefore, desire that the dynamism and entrepreneurial skill displayed by the Private Telecom Service Providers in the urban areas should be extended to the rural areas also in order to give a fillip to the spread of telecommunication services in such areas. The Department, on their part, should make elaborate plans and extend all possible support to the service providers in this regard to tap the immense rural potential so that the growth of rural telephony keeps pace with the impressive growth in urban connectivity.

*IV. Village Public Telephones, Rural Community Phones and Public Telecom and Information Centres (VPTs, RCPs & PTICs)*

6. The Committee note that out of the 6,07,491 villages in the country, 5,39,572 villages have been provided with Village Public Telephones (VPTs) as on 31 December, 2005 out of which 5,26,907 VPTs have been provided by BSNL alone. The Committee also observe that agreement for provision of VPTs in about 66,822 remaining villages has been signed with BSNL in November, 2004. Since then till 28 February, 2006, BSNL has been able to provide 20,277 VPTs. The Committee are informed that the remaining 22,545 villages are likely to be provided with VPTs by BSNL by November, 2007. It may be mentioned here that 24,000 villages, being insurgency prone and having a population of less than 100, are not to be covered as per the present policy. The Committee appreciate the efforts made by BSNL in providing VPTs in more than 90 per cent of villages and it remains a fact that but for the performance of BSNL in providing VPTs, the position of rural telephony would have been worse. The Committee hope that BSNL will continue the commendable job and provide VPTs in the remaining villages by November, 2007. The Department of Telecommunications should ensure that timely support is extended to the BSNL in the form of procurement of equipment, disbursement from USO Fund etc. so that the company is able to provide the required VPTs by the deadline.

7. The Committee note that 46,253 villages with population exceeding 2000 and without a public phone facility are to be provided with a Rural Community Phone (RCP). In this context, the Committee find that agreements were signed on 30 September, 2004 with BSNL and Reliance Infocom Ltd. for provision of 24,794 and 21,459 RCPs respectively. These RCPs are to be provided in a period of three years *i.e.* 20 per cent in the first year and 40 per cent each in the subsequent two years. The Committee are happy to find that a total of 20,756 RCPs have been provided till February, 2006 with both BSNL and RIL exceeding their respective targets. The Committee expect that both the Government owned undertaking and the Private Company will maintain the momentum and provide the required RCPs by September, 2007 for the benefit of the rural people.

8. The Committee note that a pilot project to set up 2,000 High Public Telecom and Info Centres (HPTICs) in 10 service Areas was planned initially. In the meanwhile, the Department of Information Technology (DIT) have undertaken a project to provide Common



Service Centres, on the lines of HPTICs, in one lakh villages for which concentration will now be towards that end. The Committee hope that both the Departments will work in tandem to provide voice and data access in one lakh villages initially and gradually extend the facilities to other villages in the country.

#### *V. Telecom Engineering Centre (TEC)*

9. The Committee observe that out of Budgetary Estimate of Rs. 4.00 crore the final grant received by TEC was Rs. 79.46 lakh for the financial year 2004-2005. Observing the trend of expenditure of 2004-2005 and also that no targets had been fixed for 2005-2006, the Committee in their earlier Report on Demands for Grants had apprehended that there might be savings on the part of TEC out of the Budgetary Provisions of Rs. 1.13 crore for the year 2005-2006. The Committee note that the Budgetary Estimate was reduced to Rs. 12 lakh only and surprisingly the expenditure by TEC as on 28th Feb., 2006 was nil. The reasons for surrendering the entire amount have been stated to be non-availability of components, non-finalisation of tenders, closing of projects etc. The Committee observe that there has been no constructive work with TEC for two consecutive years, whereas the TEC has a very vital and basic function of Standardisation and ensuring quality and performance of products offered by multiple suppliers to DoT. The Committee also stress that the BE of Rs. 1.00 crore for 2006-2007 is fully utilized towards upgradation of TEC Intranet, procurement of Structural analysis system for tower, NGN Test Bed, procurement of Testing Tools and Accessories for CDMA and Wi-Fi Hotspot and other targets and procedural shortcomings do not come in the way of fulfilling the targets.

#### *VI. Wireless Planning and Coordination (WPC) Wing*

10. The Committee note that for WPC, the BE 2005-2006 provided for an amount of Rs. 62.71 crore which was pruned to Rs. 9.24 crore at the RE stage. The overall dismal performance by the contractors has been cited as the reason for such reduction and poor utilisation of funds. Pertinently, during the year 2004-2005 also, WPC was able to incur an expenditure of Rs. 3.28 crore only against the RE amount of Rs. 20 crore due to the same reasons. During this fiscal 2006-2007, an allocation of Rs. 15.61 crore has been made. The Committee are extremely concerned to find that year after year WPC has been unable to optimally utilise the Budgetary allocations despite its engagement in an important project called 'National Radio Spectrum Management



and Monitoring (NRSMM)' because of the inaction of a third party (the contractor) as a result of which the project which was scheduled to be completed by December, 2004 is still languishing. The Committee are surprised to note that the contractors have consistently failed to honour their contractual obligations and imposition of Liquidated Damages upon them has not improved the situation. The Committee, therefore, desire that the Department should consider imposing all possible penalties upon the defaulting contractors. Constitution of multiple Acceptance Testing teams by the Department and asking the contractors to rectify the anomalies observed by these teams, in a time bound manner seem to be steps in the right direction. The Committee recommend that the Department should vigorously persist with these measures so that the Project is accomplished in the concluding year of the Tenth Five Year Plan.

#### *VII. Wireless Monitoring Organisation (WMO)*

11. The Committee note that the total outlay in the Tenth Five Year Plan for WMO has been Rs. 49.45 crore to carry out the ongoing schemes as well as to undertake new schemes. Out of this amount, Rs. 28.80 crore has been earmarked for Civil Works and Rs. 20.65 crore for Technical Schemes. The expenditure on Civil Works till the end of the financial year 2005-2006 has been Rs. 14.99 crore and in the year 2006-2007, a further amount of Rs. 5 crore is expected to be incurred. Thus, there will be a savings of Rs. 9 crore (approximately) in the Civil Works. Similarly, on Technical Schemes a very nominal expenditure of Rs. 4 lakh has been incurred so far, as the thrust during the Tenth Five Year Plan was mainly on Civil Works for the World Bank Project. Thus, it is apparent that there will be sizeable savings in the utilisation of the Tenth Plan Outlay. Delays in different stages such as preparation of various structural designs, preliminary estimates etc. have reportedly resulted in non-utilisation of the earmarked funds. The Committee are dissatisfied with the under utilisation of funds by WMO during the Tenth Plan period, notwithstanding the reasons mentioned above. They, therefore, impress upon the Department to make preliminary estimates etc. well in advance during the Eleventh Plan Period so that WMO is able to optimally utilise the earmarked amount for the Civil Works as well as for the Technical Schemes.

#### *VIII. C-DOT*

12. The Committee note that the total outlay for C-DOT in the Tenth Five Year Plan has been Rs. 838 crore, the yearwise breakup being Rs. 150 crore in 2002-2003, Rs. 162 crore in 2003-2004,

Rs. 166 crore in 2004-2005 and Rs. 180 crore each in 2005-2006 and 2006-2007. The Committee also note that the 2004-2005 BE and RE provided for an amount of Rs. 145.61 crore whereas the actual expenditure was Rs. 96.21 crore only. Similarly, the BE and RE for 2005-2006 was Rs. 131.40 crore whereas the actual expenditure (provisional) has been Rs. 110.06 crore only. The Committee are constrained to observe that the likely shortfall in utilising the total Plan Outlay of Rs. 838 crore would be in the order of Rs. 264 crore which is approximately one third of the total allocation. According to the Department, a paradigm shift from wireline to wireless technology, lesser expenditure on hardware due to the need to create more software infrastructure are some of the reasons for lower utilisation of the earmarked funds for which C-DOT is working in the areas of software intensive Projects, Next Generation Networks, wireless and Mobile solutions, Cell and Packet technologies for voice and data Convergence, Backbone Projects on Fibre and Satellite etc. The Committee feel that C-DOT has lacked foresightedness in its Plan process. However, the Committee are happy that C-DOT has taken a number of measures to realign itself according to the new requirements. The Committee trust that C-DOT will continue its focus on development and deployment of Next Generation Networks, cost effective rural wireless solutions so that it is able to effectively utilise the 2006-2007 BE provision of Rs. 143.70 crore. The Committee also hope that C-DOT will plan well for the Eleventh Plan in time with the developments that are taking place/likely to take place so that the allocations for the Eleventh Plan are utilized more efficiently.

#### *IX. TRAI*

13. The Committee note that one Project titled "Institutional Capacity Building" has been introduced since 2005-2006 by TRAI for conducting consultative studies on regulatory issues by engaging international consultants/consultancy firms of repute and to fulfil the training needs of TRAI officials. Towards that end, a provision of Rs. 3 crore was made in the 2005-2006 BE. Accordingly, the Regulatory Body has completed six studies inclusive of one in-house study by spending Rs. 1.50 crore. A further amount of Rs. 1 crore is expected to be incurred by the end of the 2005-2006 fiscal on two ongoing studies *i.e.* (i) study on Quality of Service and Consumer Satisfaction Survey, and (ii) Household Survey of cable viewing. Thus, there will be a shortfall of Rs. 50 lakh on the part of TRAI in utilising the 2005-2006 Budgetary Provision. The Committee feel that conducting studies, interacting with international consultants and imparting trainings to its officials in a fast changing telecom scenario will certainly strengthen the institutional capacity of TRAI, only if, these studies are really beneficial and help TRAI to fulfil their

responsibility of an effective Regulator. For that, TRAI has to closely monitor the content of the programmes and optimally utilise the earmarked budgetary provision. The Committee hope that in order to play the mandated role to perfection, TRAI will not only fully utilise the 2006-2007 budgetary provision of Rs. 3.25 crore on the identified important studies but would also show the depth of its capabilities in regulating issues provided in its mandate.

#### X. TDSAT

14. The Committee note that during the years 2004-2005 and 2005-2006, the revised plan allocation for Telecom Disputes Settlement and Appellate Tribunal was Rs. 70 lakh each whereas the expenditure during the corresponding years was Rs. 60 lakh and Rs. 46 lakh (as on 31 December, 2005) respectively. In the year 2003-2004, there was also a shortfall of Rs. 24 lakh towards plan expenditure. The Committee are informed that TDSAT will be able to utilise the entire Budgetary allocation of Rs. 0.75 crore by the end of the 2006-2007 financial year. A similar assurance was given to the Committee last year also. However, the Committee believe that measures will be taken towards holding of seminars, upgradation of Reference Library etc. so that the 2006-2007 Budgetary provision is utilised optimally and gainfully.

15. The Committee observe that during the years 2004-2005 and 2005-2006 a total number of 334 cases *i.e.* 90 in 2004-2005 and 244 in 2005-2006 pertaining to interpretation of License Agreement & Policy, disputes on Interconnection, Spectrum, Revenue Sharing etc. were filed before TDSAT. As on 30th March, 2006, 201 cases are still pending with the Tribunal. The Committee recognize that the cases filed before TDSAT may be contentious and varied in nature which need several hearings before any verdict is given but they also feel that such cases should be disposed of expeditiously to enable the Tribunal to play its role as an Adjudicator of Telecom disputes efficiently and effectively.

#### XI. BSNL

##### (i) Utilisation of Fund

16. The Committee observe that during the years 2003-2004, 2004-2005 and 2005-2006, the Plan outlays proposed for Bharat Sanchar Nigam Limited (BSNL) were Rs. 14,719 crore, Rs. 14,777 crore and Rs. 15,081 crore respectively whereas the approved BEs for the corresponding years were Rs. 12,285 crore, Rs. 8809 crore and

Rs. 9696 crore. Finally the approved REs for the said years were Rs. 10,608 crore, Rs. 6636 crore and Rs. 15,463 crore respectively. The Committee note with concern that the Actual Expenditure in 2003-2004 was Rs. 6536.80 crore and in 2004-2005 it was Rs. 7445.66 crore exclusive of spectrum charges & license fee. The Committee are informed that the expenditure position of 2005-2006 would be known only after the accounts are compiled for that year. Non-completion of Projects/Schemes has been cited as the reason for lesser expenditure during the aforesaid years. The Committee are further informed that BSNL Headquarter is monitoring the project implementation by taking feedbacks at regular intervals for timely intervention as well as by ensuring timely availability of funds, equipment and other resources to the Telecom Circles to ensure optimal utilization of the 2006-2007 BE amount of Rs. 16,931 crore. The Committee are surprised to observe the lesser expenditure by BSNL *vis-a-vis* the approved outlays over the last two/three years when competition in the telecom sector has reached its peak. The Committee have always been advocating BSNL's causes mainly for its contribution towards rural telephony and persistently impressing upon the Government to extend all possible support to the Company for its roll out plan. And with so much support *i.e.*, reimbursement of full license fee and spectrum charges, exemption from payment of dividend of Preference of Equity, Share Capital, moratorium on repayment of principal and interest on the Government loan and provision of funds through USOF for rural telephony etc., the Committee find no reason for BSNL lacking in any respect, least of all non-completion of projects/schemes even after making funds available. The Committee, therefore, impress upon the BSNL to stick to a strict and tight schedule and take all other corrective measures to ensure timely completion of Projects/Schemes targeted during the year 2006-2007 and thereby utilizing fully the outlay proposed for the fiscal.

(ii) Physical Targets and Achievements

17. The Committee note that during the year 2005-2006 a target of 75 lakh Direct Exchange Lines (DELs), 620 kilo circuits of TAX, 15,000 Route Kms of Optical Fibre Cable (OFC) and 5,800 numbers of Village Public Telephones was fixed for BSNL. The achievement of targets, as on 28th Feb., 2006 has been stated to be 66.07 lakh DELs, 655 kilo circuit of TAX, 13,617 R Kms of OFC and 11,899 VPTs. Thus, in two of the four schemes BSNL has already exceeded the target as on 28th Feb., 2006 and the Committee are happy to observe the Department's statement that no shortfall is anticipated

in the achievement of targets in the remaining schemes by the end of the 2005-2006 fiscal. The Committee expect BSNL to display the same spirit and carry on the momentum while making efforts to achieve the 2006-2007 targets.

18. However, as regards achievement of targets in Assam, North-East Region and TSP areas, the Committee are concerned to note that shortfalls are anticipated by the end of the 2005-2006 fiscal in respect of VPTs in Assam and in respect of VPTs, DELs and OFC in North-East Region and Tribal Sub Plan (TSP) areas. Difficult terrain including the geographical and topographical circumstances and non-receipt of additional equipment from the vendors have been reported as reasons for anticipated shortfalls in achievement of 2005-2006 targets. The Committee are informed that action has been taken to finalize the tenders well in advance and supply of equipment by the vendors is regularly monitored at the Headquarter as well as at the circle levels in order to ensure that targets fixed for these areas during 2006-2007 are achieved on time. The Committee feel that while difficult topographical conditions will remain a permanent and natural hindrance in these areas, procedural constraints like non-receipt of equipment in time should not come in the way of providing telecom services there. They, therefore, impress upon both DoT and BSNL to take advance corrective measures accordingly and follow up the same with regular monitoring so that the targeted telecom services for the year 2006-2007 are timely provided in the North-East Region including Assam as well as the TSP areas. The Committee also desire that the fund requirement in this regard, which has not yet been estimated, may be worked out soon in order to avoid any last minute hitch to carry out the programmes in these areas.

19. As regards target and achievement of Cellular Mobile Phones by BSNL during the year 2005-2006, the Committee find that against the target of 65 lakh Cellular Mobile Phones, BSNL has been able to achieve around 48.50 lakh such Phones as on 31st Dec., 2005. The Committee observe that Circles where the achievement of Mobile Phone targets are far from satisfactory include Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, North-East I, Orissa and Punjab. As reported to the Committee, although no shortfall is anticipated at the national level by the end of the 2005-2006 fiscal, yet some circles like Calcutta Telephones and Punjab remain a cause of worry due to non-supply of equipment and fierce competition respectively. The Committee

are not at all convinced with the reasoning advanced for BSNL's non achievement of mobile phone targets in individual circles. The Committee are of the opinion that in the fast changing competitive telecom scenario where mobile phones have already outgrown the fixed phones, BSNL should resort to special marketing strategies to tap the immense mobile potential in individual circles, should it seriously contend to remain in business.

(iii) Surrender of Phones

20. The Committee are deeply concerned to note that 70,15,442 fixed line BSNL Telephones have been surrendered/disconnected during the last two financial years, the yearwise break up being 34,17,052 in 2004-2005 and 35,98,390 in 2005-2006 (upto 28th Feb., 2006). Andhra Pradesh heads the individual Telecom Circles with more than 5 lakh surrender/disconnection of telephones followed by Gujarat, Karnataka, Maharashtra, Tamil Nadu and Kolkata with more than 2 lakh such surrender/disconnection. The Committee note that BSNL conducted a study through an outside agency to ascertain the reasons for surrender/disconnection of BSNL telephones. The main findings of the study *inter-alia* reveal that 20 per cent of the subscribers were defaulters, 25 per cent perceived that BSNL's monthly rent is high, 21 per cent cited dissatisfaction with BSNL's services and 18 per cent switched over to GSM mobile services. These figures are very much in line with the general feeling that the private sector performs better than the BSNL. In this context, the Committee would like to impress upon BSNL that prudent and corrective measures are warranted to leverage the quality of service provided by the company. The Committee also feel that more focused attention should be paid towards provision of cellular mobile services as the subscribers have been showing a growing inclination towards such services. The Committee hope with such measures BSNL will be able to arrest and neutralize the impact of surrender of its fixed line telephones.

(iv) Outstanding Arrears

21. The Committee note that the accumulated outstanding arrears of BSNL for Basic Telephone (including WLL) as on 31.12.2005 are Rs. 3392.10 crore. Similarly, the outstanding arrears of the cellular mobile services are Rs. 559.20 crore. An amount of Rs. 22.16 crore



has been written off during 2005-06 as whereabouts of the subscribers were not traceable after observing necessary departmental formalities. Although a number of measures like timely issue of telephone bills, monitoring of liquidation of dues by senior officers, filing of civil suit against the defaulters etc. are reportedly being taken by the company to recover the outstanding dues, yet the Committee are not satisfied with these efforts because approximately, an amount of Rs. 4000 crore is outstanding against the defaulting subscribers as on 31st December, 2005. Considering the amount at stake, the Committee urge upon BSNL to take recourse to other effective methods for early recovery of the outstanding dues.

(v) Vigilance

22. There has been a general complaint that the serving BSNL officers in the field allegedly colluded with the officers of the private operators and trashed the name of BSNL by helping the private operators to give a better service. Incidents like selling of diesel meant for generators thereby making the generators unserviceable had come to notice of the Committee. Complaints were also made about retired officers joining the private sector companies either with or without permission and thereby helping the private operators through their continuing linkages with other officers in BSNL. Needless to point out, all such alleged incidents bring a bad name to BSNL and also adversely affect the expansion of BSNL in rural areas. The Committee are of the opinion that stringent action should be taken against such officials and BSNL should take effective measures to arrest such undesirable tendencies.

*XII. MTNL*

23. The Committee observe that the Tenth Plan outlay for MTNL has been fixed at Rs. 11,955.46 crore, the year wise breakup being Rs. 3394.06 crore in 2002-2003, Rs. 2862 crore in 2003-2004, Rs. 1523.80 crore in 2004-2005, Rs. 1619.80 crore in 2005-2006 and Rs. 1955.40 crore in 2006-2007. But the outlays approved (RE) during the first four years of the period have been Rs. 7955 crore *i.e.*, Rs. 2180 crore in 2002-2003, Rs. 2026 crore in 2003-2004, Rs. 2220 crore in 2004-2005 and Rs. 1529 crore in 2005-2006. The Committee are concerned to find that the actual Expenditure in the first four years of the Tenth Plan period has been Rs. 1053.91 crore, Rs. 965.91 crore, Rs. 1038.48

crore and Rs. 1219 crore (anticipated) respectively. Falling price of equipment, limited opportunities available for the expansion in service areas for National acquisition as well as abroad, fierce market competition and dynamic and ambitious plan to meet the challenges have been cited as reasons for MTNL falling short in the actual expenditure during the aforesaid years. The Committee feel that these factors are the basis of planning an effective future strategy and if MTNL has failed in these areas they need to have a serious look at their workforce in the Planning division. The Committee, therefore, reiterate their recommendation of 2005-2006 that MTNL should require some infusion of fresh talent into them to set good practice in planning, adopting cost effective measures, timing in tendering etc. The Committee are convinced that this is absolutely essential for the Eleventh Plan period. For the current fiscal, MTNL should concentrate hard on seeing how best it can perform in utilizing the balance amount of Rs. 7678.16 crore in the last year of the Tenth Plan period.

24. The Committee observe that the Tenth Plan approved target for provision of net new connections including WLL and cellular by MTNL was 27.57 lakh lines whereas the achievement as on 28 Feb. 2006, has been 13.34 lakh only. Similar shortfalls have also been observed in achievement of targets in Digital Loop Carriers (DLCs), Optical Fibre Cable (OFC) and PCUT cable replacement. The Department's statement that no shortfall in achievement of targets by the end of the Tenth Plan period is anticipated except a minor shortfall in case of new telephone connections due to a general decline in the demand for fixed line telephones does not convince the Committee in view of the performance of the Company in the first four years of the Plan period. Therefore, instead of leaving things to take their own course, MTNL should gear itself up to accomplish as much target as possible in the concluding year of the Plan period so that it builds up the confidence to meet the new challenges that are certain to emerge during the next Plan period.

25. The Committee also feel that with the introduction of Broadband service, demand for fixed line is likely to grow and to cater to that, MTNL should take advance action to generate fresh demand by innovative marketing strategies and better customer care. In fact, the thrust on customer satisfaction and introduction of new services/schemes for customer benefit should always remain the guiding business principle of the Company to withstand the fierce competition in the Telecom sector.



26. The Committee are deeply concerned to note that the outstanding arrears of telephone bills in Delhi and Mumbai, as on 28th February, 2006 was Rs. 1,330.64 crore, the break up being Rs. 1,110.13 crore for Fixed lines, Rs. 82.67 crore for CDMA mobile and Rs. 137.84 crore for GSM mobile phones. The Committee also observe that during the years 2003-04 to 2005-06 (upto 28th February, 2006) an amount of Rs. 36.90 crore has been written off as some of the defaulting parties were not traceable and some disputed the bill amount. A number of measures are reportedly being taken by MTNL to recover the outstanding dues. Such measures include creation of correct and timely commercial data, reconciliation of calls generated and calls billed, facilitating greater customer convenience for smooth payments, introduction of a convergent billing system and billing Audit and constitution of two-tier Task Force for proper monitoring. The Committee are surprised to find that despite such measures initiated by the Company the menace of outstanding arrears has not eased, rather, it has worsened over the years. The Committee are inclined to conclude that MTNL is, perhaps, lacking in the implementation and monitoring aspects. The Committee, therefore, recommend the company to further strengthen its monitoring system besides taking other prudent but practical measures to recover the outstanding telephone dues from the defaulting subscribers.

### *XIII. ITI Limited*

27. The Committee note that ITI had initially envisaged an overall capital outlay of Rs. 790 crore for the Tenth Plan period. However, the same was reduced to Rs. 483 crore in view of the severe financial constraints being faced by the Company. The actual expenditure during the first three years of the Plan period has been Rs. 104.51 crore and for the year 2005-2006 a commitment has been made upto Rs. 64.83 crore till 31st December, 2005. The Committee are informed that the overall anticipated capital expenditure of ITI during the Tenth Plan period would be Rs. 300 crore. The Committee also note that there have been shortfalls in the achievement of physical targets by ITI in Switching Transmission and New products in the entire Tenth Plan period due to inadequate, delayed and no orders at all. Major reasons for reduced level of Capital Expenditure of ITI are reported to be expenditure restricted due to financial constraints, investment/expenditure limited to Government Grants due to non-availability of internal resources and investments deferred pending Government approvals for WLL, CDMA projects. Similarly, shortfall in achievement of physical targets has been attributed to relatively

less and uncertain requirement of equipment due to the severe competition prevailing in the Indian Telecom Sector. In this context, the Committee would like to remind the Company that over the last few years they have been emphasizing the need for ITI to timely diversify its products, redeploy its huge manpower, cut down its social cost, have technological arrangements with more viable and potential partners etc. for creation of internal resources, optimum utilization of the capital outlay and greater achievement of physical targets. They would also like to remind that in their reply, the PSU, in the year 2004-2005 had stated that the Company was trying hard to survive. The Company was expected to turnaround in two-three year's time with the support of Government and its sister PSUs. But, the Committee are constrained to find that the same bottlenecks still persist with no significant turnaround. The Committee recognize that the financial/physical targets/achievements by ITI are essentially dependent upon the market projections being contemplated/realized by the premiere PSU service providers *viz.* BSNL & MTNL. But such targets/achievements equally hinge upon the Company's ability in keeping quality standards, meeting diverse requirements and this can be achieved through diversification/upgradation of the existing technologies and products as well as the R&D requirement for adoption/development of new products/solutions. Financial constraints due to inadequate internal resources are the inaptness of the PSU to come up to the demands for the nation. A demand for another grant of Rs. 100 crore to enable the PSU to implement its projects/schemes is just not keeping in trend with what the PSU had committed when it was earlier given a revival package of Rs. 508 crore. The Committee therefore urge ITI to take suitable urgent measures so that it is not treated as a sick PSU and referred to BIFR inspite of all the intervention provided by this Committee and the support of the Government, BSNL and MTNL. They desire that ITI should come out with a concrete policy within a period of one year as Government can not go on financing a non-productive unit indefinitely.

#### *XIV. Other Issues*

##### **(i) Access Deficit Charge (ADC)**

28. The Committee note that the estimated sectoral Access Deficit Charge from 1st February, 2005 to 31st January, 2006 has been Rs. 5669 crore out of which the estimated share of BSNL is Rs. 4954 crore. The Committee also observe that TRAI has issued an IUC

Regulation on 23rd February, 2006 as a result of which the estimated sectoral ADC from 1st March, 2006 to 28th February, 2007 has been calculated at Rs. 3,335 crore, BSNL's share being Rs. 3,200 crore. Thus, TRAI's Regulation which has been implemented w.e.f. 1st March, 2006 has reduced the ADC to be paid to BSNL. The Company has, therefore, filed an appeal in TDSAT against reduction of ADC and termination charges. The Committee would expect BSNL to pursue their claim to its logical conclusion. They would also like to be apprised of the decision of the TDSAT, and its ramifications upon BSNL's roll out plan, particularly rural telephony.

(ii) Spectrum Issues

29. The Committee note that the urgency for coordination/vacation of Spectrum by Defence for the growth of mobile services as well as introduction of 3G services has been recognized at all levels. A Project Definition Team (PDT) has been constituted to work out the equipment and fund requirement for facilitating such coordination/vacation. The Team has already submitted its report in the last week of March, 2006 and the work on the Spectrum Policy is in progress taking into account all relevant aspects. As has been recommended in their Twenty-Eighth Report on 'Spectrum Management', the Committee once again stresses the early need for a comprehensive and transparent Spectrum Policy so that the scarce resource is coordinated/vacated appropriately for the expansion of both GSM and CDMA cellular mobile services as well as for the introduction of 3G services. However, the Committee caution the Department that the release of additional spectrum should be after proper verification of the subscriber base of the GSM & CDMA operators and action under the terms and conditions of the licence should be taken against operators having ghost names in their list of subscribers.

(iii) Sharing of Towers

30. The Committee learn from various press reports that only 30 percent of the sites/towers across the country are being shared amongst various telecom service providers. But the exact statistics about the percentage of towers being shared is not available with the Department. However, according to them such sharing has already started, particularly in the rural areas and the economic advantage of such sharing will encourage telecom service providers to move more in the direction. The Committee recommend the Department to make a study of the extent of sharing of towers among various telecom service providers, maintain a statistics thereof and based on

that, sharing of towers/sites should be promoted and incentivised for its distinct economic advantage.

(iv) Unsolicited Calls

31. The Committee observe that on 6th March, 2006, the Supreme Court has passed an order that the Union of India must take steps and call a meeting of the Cellular and basic service operators and discuss with them the machinery to ensure that unsolicited calls are not received. Accordingly, on 13th March, 2006, the Ministry of Communications & Information Technology chaired a meeting with the telecom operators who offered their comments to address the issues. The Committee while examining last year's Demands for Grants, had impressed upon the Government to bring out suitable legislation to put an end to unsolicited calls. The Committee are again of the opinion that it is high time the Government addressed the issue so that telephone subscribers are protected from this avoidable nuisance.

(v) Convergence and Next Generation Network (NGN)

32. The Committee note that TRAI has recently given its recommendations on Convergence and Next Generation Network (NGN) and the same are under consideration of the Department. This Committee have also examined the Convergence Bill, 2001 in detail and have given their recommendations accordingly in their Thirty-Ninth Report (Thirteenth-Lok Sabha). In today's convergent scenario, they feel that Convergence and NGN should be encouraged and facilitated so that voice and broadband connectivity is increased and multiple services are delivered through one wire and a single wireless system.

(vi) Quality of Service

33. The Committee note that the Telecom Regulatory Authority of India (TRAI) has recently issued show cause notices to six private mobile operators for deterioration in congestion level in their Point of Interconnections (POIs). The Committee also observe that the Cellular Operators Association of India (COAI) and some of the operators have filed an appeal to the TDSAT against TRAI's show cause notices. The Committee are of the opinion that the quality of service provided by the mobile operators, including that of BSNL and MTNL, cannot and should not be compromised under any circumstances. However, they would like to be apprised of the verdict of the TDSAT in this regard.

(vii) Different Tariffs

34. The Committee note that TRAI in its directive dated 27th February, 2006 has directed the private GSM operators to discontinue the differential tariff, wherein the tariff for calls terminating in the mobile networks of BSNL/MTNL are being charged at a higher rate compared to calls terminating in the networks of private mobile operators in the States of Maharashtra, Tamil Nadu, West Bengal and Uttar Pradesh. To say it simply, the arrangement for dialing and routing of calls from mobile to mobile and fixed to mobile telephones in the above mentioned four States were different when compared to other States in India. As it was an aberration and against the public interest, the Committee highly appreciate the directives of TRAI which corrected the anomalies and hope that the Regulatory Body will keep up the commendable job.

NEW DELHI;  
18 July, 2006  

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27 Asadha, 1928 (Saka)

NIKHIL KUMAR,  
Chairman,  
Standing Committee on  
Information Technology.

**ANALYSIS OF IMPLEMENTATION OF RECOMMENDATIONS CONTAINED IN THE SEVENTEENTH REPORT OF THE COMMITTEE ON DEMANDS FOR GRANTS (2005-2006) OF DEPARTMENT OF TELECOMMUNICATIONS**

Rec. No.	Gist of Operational Portion of the re-recommendation	Govt's response in the Action Taken Reply, in a nutshell	How implemented/ Stage of Implementation
4.	Recommendation was made for proper upkeep of the Public Telephones	The Agreement conditions have been so devised that the proper upkeep and maintenance of these PTICs/HPTICs is taken care of.	It is a continuous process.
6.	The Committee recommended DoT to take up the matter of timely release of funds to USOF at the appropriate forum.	During the fiscal 2005-2006 an amount of Rs. 1500 crore was allocated to the USO Fund against the requirement of Rs. 2600 crore for which provision has been made in the R.E.	Partially implemented
9.	No let up in the enforcement of the inspecting measures concerning the USO Fund was stressed.	The measures were being observed through verification and physical inspection alongwith other appropriate action in this regard.	It is a continuous process.
14.	High value of the unified entity, in case of a merger of BSNL and MTNL was recommended.	The recommendation was noted and would be kept in view	---
15.	Strengthening of the engineering capabilities of TEC was recommended.	A World Bank Technical Assistance Project for TEC has been successfully completed in December, 2004.	Implemented
17.	Timely fixation of targets for TEC to utilise the earmarked amount was stressed.	The amount of Rs. 1.13 crore was asked for various projects undertaken by TEC.	Implemented
18.	In view of WPC's crucial role in optimizing the utilisation of spectrum, gearing itself well for the future was recommended.	Implementation of a project called 'National Radio Spectrum Management and Monitoring System' by WPC would result in more effective and efficient frequency assignment optimal utilisation of Radio Spectrum etc.	Implemented
19.	It was observed that low utilisation of funds were due to non-completion of the job in time by the contractors for which liquidated damages were proposed to be imposed. It was also observed that the Department was in the process of finalizing the unresolved issues.	The Department was making all efforts to resolve the remaining issues to complete the project in a satisfactory manner. Further, liquidated damages were imposed as per contract.	Implemented
20.	Completion of the WPC Project in the stipulated period was emphasized.	All precautions would be taken to ensure that the project was completed by the stipulated period.	Assurance given for implementation
21.	Fine tuning the monitoring	The Wireless monitoring capacities were	Implemented

	capabilities of WMO and stringent measures against the offenders was recommended.	getting modernized and enhanced through the World Bank assisted on going National Radio Spectrum Management & Monitoring System (NRSMMMS).							
22.	Expedition of land identification process and construction work on the plots already acquired by WMO was recommended.	Land had already been acquired at Jammu, Vizag, Siliguri etc. Further, land at Ranchi, Bangalore and Hyderabad had also been indentified and was in the process of transfer to WMO.	Implemented						
24.	Optimal utilisation of the earmarked fund by TRAI in studies, Consultancies and training programmes was recommended.	Besides identifying a number of studies to be carried out, necessary action was being taken to nominate TRAI officials for various domestic and international training programmes.	Implemented						
25.	Augmentation of TDSAT's resource base was recommended	It is a statement of facts	---						
26.	Gainful utilisation of funds by TDSAT was recommended	A detailed proposal which included sudy visits, trainings etc. had been prepared for utilisation of funds	Implemented						
28.	Timely achievement of targets in important schemes by C-DoT was emphasized.	The focus on national and market requirements would be balanced for timely achievement of targets in the important schemes.	Assurance given for implementation.						
29.	More stress on wireless broadband, value added services and software intensive products by C-DoT to generate more revenues was suggested.	C-DoT was keeping more focus on wireless, broadband value added services and software intensive products to generate more revenue.	Implemented						
33.	Conscious effort by BSNL to offer broadband through Optical Fibre Cable (OFC) was suggested.	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 plans to give 1 million Broadband connections by Dec. 2005.	Implemented						
34.	Catering to the demand of the people for mobile services by BSNL and doing away with the procedural delays by the DoT in this regard was recommended.	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. Once the general public reposed confidence in BSNL's Cellone Services, there was no let up in augmenting capacities as shown below:-  <table border="0"> <tr> <td>Period</td> <td>Network Capacity</td> </tr> <tr> <td>31.03.2003</td> <td>2690140</td> </tr> <tr> <td>31.03.2004</td> <td>4865077</td> </tr> </table>	Period	Network Capacity	31.03.2003	2690140	31.03.2004	4865077	Implemented
Period	Network Capacity								
31.03.2003	2690140								
31.03.2004	4865077								

		31.03.2005 9492154  BSNL has also taken steps to improve the coverage and capacity wherever its services are already available.	
41.	Infusion of fresh talents and achievement of targets by MTNL in a more effective manner was recommended.	MTNL has plan to recruit Technical, Financial, HR and Marketing personnel through competitive exams as Management Trainees/JTO's. This has been necessitated due to formation of PSU's and absorption of cadres in it and stoppage of recruitment by UPSC in the Middle Management level in these areas.	Implemented
42.	Efforts by MTNL to be a more pro-active service provider was suggested.	MTNL had 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.	Implemented
45.	Steep decline in the turnover and profit of MTNI in 2005-2006 fiscal was criticized	Measures have already been taken to rationalize the tariff by reducing the pulse rate (for local & neighborhood calls) and fixing physical targets for the year 2005-06 to improve the revenue and consequent profit.	Implemented
48.	Widening TCIL's range of Operation and enhancement of their business was recommended	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 are executed by TCIL. TCIL has also taken decisions/initiatives in new areas of business operations	Implemented
49.	Reimbursement of an outstanding amount of Rs. 100 crore due to the Department of Posts was recommended	To sort out this issue, meetings are being held between Department of Posts and Bharat Sanchar Nigam Limited with DoT as facilitator.	Partially implemented
1.	Consequent upon the introduction of the Unified Access Services License (UASL), the Committee found that the roll out obligations in terms of coverage of rural areas had ceased to exist.	It was a factual information	---
5.	It was observed that the service providers would lose interest to roll out new lines in rural areas if	It was a statement of facts	---



	funds were not timely released to USOF.		
7.	Direct transfer of funds collected as US levy to USO Fund was recommended	The transfer of funds collected as US levy are governed by the Indian Telegraph (Amendment) Act, 2003.	Not implemented
16.	Non-utilisation of budgetary provision by TEC was criticized.	Non-utilisation of funds did not affect any Projects/ Schemes. Only the payments were not released generally due to non-receipt of bills	---
23.	Strengthening of TRAI for an effective and forceful role was recommended	A number of policy initiatives were taken by TRAI to facilitate reforms in the telecom sector and extend the scope, availability and reach of this service in India.	It's a continuous process.
27.	Optimal utilisation of funds towards upgradation of Reference Library, holding of seminars etc. was recommended.	A LAN based Computerized Library had been set up and it was proposed to upgrade and maintain the Library. Further, the Tribunal was proposing to hold five/six seminars.	Partly implemented.
30.	Full reimbursement of the License fee and Spectrum Charges to BSNL was recommended.	BSNL was reimbursed Licence Fee and Spectrum Charges amounting to Rs. 6900 crores for the period from 2001-02 to 2003-04 at the rate of Rs. 2300 crores each year. A sum of Rs. 1765.68 crores including Rs. 591.02 towards backlog of Licence Fee and Spectrum Charges for the year 2001-02 to 2003-04 was reimbursed to BSNL during 2004-05. 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 approved in the First Batch of Supplementary Demands for Grants 2005-06.	Partly implemented
31.	Other liabilities thrust upon to BSNL, after its Corporatisation, was desired to be looked into. It was also impressed upon that the company should gear itself up to stand on its own	The desire of the Committee was noted for necessary action.	Assurance given for implementation
32.	Under utilisation of funds by BSNL was criticized and the preparedness to meet the exponential demand for fixed and mobile services by the company was suggested.	The payments are made to companies based on deliverables of services and in spite of provisions made in each year budge 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.	It is a continuous process
36.	Prevention of cartalization and monopoly and provision of benchmark for all the services by BSNL was recommended.	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. For the year 2005-06, BSNL has set a target of 24.7 million telephone connections, 1.0 million	Implemented

		Broadband connections and 1.1 million Internet connections.	
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38.	Under-utilisation of funds by MTNL and unrealistic planning by the company was criticized	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.	Partially implemented
39.	Exercising maximum restraint in projecting MTNL's demand and cutting down the company's wasteful budgeting was recommended.	MTNL is trying to modernize and improve the infrastructure in a rapidly evolving technological environment by utilizing all the available resources carefully. The field units and concerned planning cells have been advised to further improve the planning process as recommended by standing Committee.	Partially implemented
40.	Improvement in the efficiency of MTNL, both in-house and as a service provider was suggested	MTNL had taken all possible steps to expand the capacity in introducing new services and its market share.	Implemented
46.	Lack of a clear strategy on the part of ITI towards a healthy revival was commented upon	The company had taken action for infusion of new technology for rationalization of products and growth at the respective units. The company has initiated the various actions for the product rationalization to run all its Plants located at different locations and utilize the existing infrastructure.	Partially implemented
47.	Induction of fresh engineering and scientific talent was recommended for ITI	ITI is inducting engineering graduates at entry level and has also made efforts to invite volunteers from CDOT, BSNL, MTNL on deputation. The products like IP, Next Generation Network etc. are being inducted by the operators from year 2005-06.	Partially implemented
50.	Enactment of an appropriate regulation to protect the mobile phone users from unsolicited calls was recommended	Legal opinion was sought for	---
2.	The Committee recommended the Department to take adequate and stringent measures to ensure provision of Rural Community Phones (RCPs) by the Private Operators.	All the RCPs are likely to be provided in these villages by September, 2007	20% in 2004-2005, 40% each in 2005-2006 and 2006-2007.
35.	Shortfalls in the achievement of targets in general and tribal areas was criticized.	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. The main reason for shortfall in North East Region and Tribal Sub-Plan Areas are difficult working conditions and insurgency.	Partially implemented

37.	Prudent measures by BSNL to recover outstanding dues was recommended	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% in case of basic services (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. Moreover, all out efforts are being made to reduce outstanding dues.	Partially implemented
43.	Setting up of an in-built system by MTNI for recovery of outstanding dues was suggested	At the end of March, 2005, due to multipronged efforts, the total arrear for fixed and WLL connectins have come down from Rs. 1224 crore to Rs. 1163 crore. As advised by the Standing Committee, every effort is being made to ensure that the arrears amount do not go beyond a permissible limit. Efforts are being continued to reduce the outstanding further.	Partially implemented
44.	More concerted and focused efforts by the company were emphasized for recovering of outstanding dues.	Whiel accumulated outstanding amount of Rs. 1200 crore includes very old outstanding which is more difficult to recover, all efforts are being made to recover the outstanding. As recommended by the Standing Committee, extra efforts are being undertaken to reduce the outstanding further.	Partially implemented
3.	For the benefit of the subscribers and the service providers, the Committee recommended that the Unified Licence (UL) should be introduced.	The recommendations of TRAI in this regard were under examination of the Department.	Under Examination
8.	Disbursement of USO Fund for provision of mobile telephones in rural areas was recommended	The proposal was under examination and amending the Indian Telegraph Act has been initiated.	Under examination of the Department
10.	Reconciliation of the mismatches in the estimation of TRAI & BSNL with regard to the impact of the ADC regime was desired.	The total expected ADC to BSNL from all the sources comes to about Rs. 4584 crore per annum. The annual shortfall in the recovery of ADC to BSNL was expected to be of the order of Rs. 370 crore.	---
11.	Due to the anticipated decrease in ADC, a possibility of BSNL/MTNL passing on the burden to the consumers was observed	Due to increase in traffic there seemed to be very small shortfall in the recovery of ADC to BSNL and so the Company did not have any plan to pass on the burden to the consumers. MTNL has filed a petition against the regulation of TRAI and the matter is sub-judice.	Partially accepted

12.	TDSAT's decision in the petition filed by MTNL against the revised IUC regime was desired to be communicated	TDSAT was yet to announce the judgement	---
13.	In view of the appointment of a consortium of consultants to assist the Govt. in the restructuring of BSNL & MTNL, the Committee opined that the issues involved needed a careful examination.	The Report of the consultants which was submitted on 28th February, 2005 was under the examination of the Department	---

ANNEXURE II

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

The Committee sat on the 30th May, 2006 from 1245 hrs. to 1400 hrs. in Committee Room No. 139, Parliament House Annexe, New Delhi.

PRESENT

Shri Nikhil Kumar—*Chairman*

MEMBERS

*Lok Sabha*

2. Shri Nikhil Kumar Chaudhary
3. Shri Mani Cherenamei
4. Shri Sanjay Shamrao Dhotre
5. Shri Kailash Joshi
6. Shri P. Karunakaran
7. Shri G. Nizamuddin
8. Shri Tathagata Sathpathy
9. Shri K.V. Thangka Balu
10. Shri P.C. Thomas
11. Shri Ram Kripal Yadav

*Rajya Sabha*

12. Shri Vijay J. Darda
13. Shri Motiur Rehman

SECRETARIAT

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

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WITNESSES

**Representatives of Department of Telecommunications**

1. Dr. J.S. Sarma, Chairman, TC
2. Shri Shantanu Consul, Administrator, USO

3. Shri A.K. Sawhney, Member (F)
4. Shri Yashwant Bhave, Addl. Secretary (T)
5. Ms. S.A. Tirmizi, Advisor (F)
6. Shri A.K. Chaturvedi, Advisor (HRD)
7. Shrimati Chandralekha Malviya, Advisor (Eco)
8. Shri R.N. Padukon, Sr. DDG (TEC)
9. Shri N. Parameswaran, Sr. DDG (VAS)
10. Ms. Kalyani Negi, DDG (FEB)
11. Shri P.K. Mittal, DDG (BS)
12. Shri N.P. Singh, DDG (IP)
13. Shri A.K. Sinha, CMD, BSNL
14. Shri R.P.S. Sinha, CMD, MTNL
15. Shri Y.K. Pandey, CMD, ITI
16. Shri Vijay Madan, Executive Director, C-DoT

2. At the outset, the Chairman welcomed the Secretary, Department of Telecommunications and the other officers accompanying him to the sitting of the Committee.

3. Thereafter, the Secretary, Department of Telecommunications highlighted the salient features of the Demands for Grants (2006-2007) with the help of a power point presentation.

4. The members sought certain clarifications on the issues relating to the Demands for Grants (2006-2007) of the Department of Telecommunications. The representatives of the Department responded to the same.

5. The Chairman thanked the witnesses for appearing before the Committee as well as for furnishing valuable information that the Committee desired in connection with the examination of Demands for Grants (2006-2007).

*A verbatim record of the proceedings has been kept separately.*

*The witnesses then withdrew.*

6. The Committee also decided to undertake an on-the-spot-study visit to Bhubneshwar, Kolkata and Imphal from 3rd July, 2006 to 6th July, 2006.

*The Committee then, adjourned.*

ANNEXURE III

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

The Committee sat on Friday, 30 June, 2006 from 1100 hours to 1240 hours in Committee Room 'D', Parliament House Annexe, New Dlehi.

PRESENT

Shri Nikhil Kumar — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Nikhil Kumar Chaudhary
3. Shri Mani Cherenamei
4. Dr. P.P. Koya
5. Shri G. Nizamuddin
6. Shri Sohan Potai
7. Shri Tathagata Sathpathy
8. Shri Ashok Kumar Rawat
9. Shri K.V. Thangka Balu

*Rajya Sabha*

10. Shri Motiur Rahman

SECRETARIAT

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

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2. At the outset, the Chairman welcomed the Members to the sitting of the Committee. The Committee then took the following Draft Reports for consideration:—

- (i) \*\*\*
- (ii) Draft Report on Demands for Grants (2006-2007) relating to the Department Telecommunications.



(iii)	***	***	***
(iv)	***	***	***
(v)	***	***	****

3. The Committee adopted the above-mentioned Draft Reports with some amendments/modifications.

4. The Committee, then, authorised the Chairman to finalise and present the above mentioned Reports to the House in light of the factual verifications received from the concerned Ministries/ Departments on a day convenient to him.

*The Committee, then, adjourned.*