

TWENTY EIGHTH REPORT

**COMMITTEE ON PUBLIC UNDERTAKINGS
(2007-2008)**

(FOURTEENTH LOK SABHA)

PERFORMANCE AUDIT OF WLL SERVICES PROVIDED BY BSNL

**MINISTRY OF COMMUNICATIONS INFORMATION TECHNOLOGY
DEPARTMENT OF TELECOMMUNICATIONS**

[Based on C&AG Report No. 9 (Commercial) of 2006]

(Action Taken by the Government on the recommendations contained in the 20th Report of the Committee on Public Undertakings (14th Lok Sabha) on Performance Audit of WLL Services provided by BSNL)



Presented to Lok Sabha on 25.04.2008

Laid in Rajya Sabha on 25.04.2008

**LOK SABHA SECRETARIAT
NEW DELHI**

April, 2008 / Vaisakh 1930(S)

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(2007-2008)

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* Elected w.e.f. 17.5.2004 Dr. Rameshwar Oraon and Kunwar Jitin Prasad ceased to be Members of the Committee consequent on their appointment as Ministers of States w.e.f. 6.04.2008.

** ceased to be Members of the Committee consequent on their retirement from Rajya Sabha w.e.f. 02.04.2008 and 09.04.2008.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorized by the Committee to submit the Report on their behalf, present this Twenty Eighth Report on Action Taken by the Government on the recommendations contained in the Twentieth Report of the Committee on Public Undertakings (Fourteenth Lok Sabha) on Performance Audit of WLL Services provided by BSNL.

2. The Twentieth Report of the Committee on Public Undertakings (2006-2007) was presented to Lok Sabha on 27th April, 2007. Action Taken Replies of the Government to the recommendations contained in the Report were received on 28.03.2008. The Committee on Public Undertakings considered and adopted this Report at their sittings held on 24 April, 2008. The Minutes of the sitting are given in Appendix – I.

3. An analysis of the action taken by the Government on the recommendations contained in the 20th Report (2006-07) of the Committee is given in Appendix -II

New Delhi:
24 April, 2008
Vaishakha, 1930(S)

RUPCHAND PAL,
Chairman,
Committee on Public Undertakings

CHAPTER I

REPORT

This report of the Committee deals with the action taken by the Government on the recommendations contained in the Twentieth Report (Fourteenth Lok Sabha) of the Committee on Public Undertakings (2006-07) on Performance Audit of WLL Services provided by BSNL which was presented to Lok Sabha on 27 April, 2007.

The Action taken notes have been received from the Government in respect of all the recommendations contained in the Report. It has been observed therefrom that the Government has accepted and implemented all the 14 recommendations made by the Committee in their Report as discussed in the succeeding paragraphs. The Recommendations of the Committee as well as the corresponding action taken replies have been reproduced in Chapter-II of the Report.

The Twentieth Report (Fourteenth Lok Sabha) on Performance Audit of WLL Services provided by BSNL was based on C&AG Report No.9 (Commercial) of 2006. The Report dealt with various issues raised in the C&AGs Report which were examined by the Committee in depth and the Committee made 14 recommendations on such issues. The key issues dealt with in the recommendations included – Non-introduction of latest technologies like MSC based CDMA IX 2000 for WLL based system though the same were available at that time (Recommendation No.1); Non-Analysis of Financial Viability and Profitability and failure to maintain separate costing records in respect of WLL Projects during the years 2000-01, 2001-02 and 2003-04 (Recommendation No.2); Non-formulation of appropriate marketing strategies for the WLL Telephone Service as compared to cellular mobile telephone service (Recommendation No.3); Excess payments made by the Company to the vendors due to the delay in finalisation of rates in respect of Fixed Wireless Terminals (Recommendation No.4); Failure of the Company to obtain performance Bank guarantees and premature release of the same resulting in

undue financial benefit to suppliers (Recommendation No.5); Absence of any penalty provisions in the procurement manual for levy of penalty on suppliers for delay in installation, acceptance, testing and commissioning etc. (Recommendation No.6); Delay in finalisation of Annual Maintenance Contracts for maintenance of WLL Terminals with the concerned suppliers at the end of the warranty period (Recommendation No.7); Incurring losses due to non-levy or short levy of liquidity damage charges on suppliers who delayed the delivery of WLL equipment and terminals (Recommendation No.8); Under-utilisation of equipped capacity on account of deficiencies in planning, procurements, network coverage and poor quality of service (Recommendation No.9); Failure of the Company to achieve the planned targets of providing one WLL system in each of the 2642 Short Distance Charging Areas (Recommendation No.10); Accumulation of Revenue Arrears on account of short/delayed billing, delays in submission of completed advice notes to telephone revenue accounting Branch, non-monitoring of Bills, heavy outstanding, non-availability of automatic disconnection facility etc. (Recommendation No.11); Poor quality of WLL Services provided by BSNL like non-releasing of WLL connections in time, poor response for rectification of faults, poor voice quality, inadequate arrangement for power supply etc. (Recommendation No.12); Poor monitoring by the Corporate Office of its various Circles resulting in number of shortcomings/deficiencies in execution and proper implementation of WLL Telephone Services (Recommendation No.13); and Failure of the Government in its monitoring role in ensuring that goals set out in the National Telecom Policy are achieved by BSNL in a time bound manner (Recommendation No.14).

From the action taken replies received from the Government, it has been seen that the Government and the BSNL has taken all the necessary steps to implement the recommendations made by the Committee on the above-mentioned aspects. It may be seen from the action taken replies that the Company has already procured equipments based on latest technology namely MSC based CDMA 2000 IX equipments with the provisions for various value added services like wireless intelligent network, short message service, packet

core network, unified messaging system etc. for the purpose of setting a benchmark for the other service providers to follow. The Corporate office has issued the instruction to maintain separate costing records for WLL Services to ascertain financial liability and profitability analysis of WLL project vide their letter dated 8th June, 2007. On the marketing front, the Company has taken the initiative to promote the WLL Services by way of appropriate marketing strategies like launching of promotional schemes in urban areas by way of giving rent-free FWTs with no registration/installation charges, offering various value-added services including high-speed internet and conducting of periodic market survey by respective BSNL Circles. The Company has also issued instructions to all its telecom circles vide their communication dated 20 June, 2007 for ensuring that procedures relating to performance bank guarantees are strictly adhered to and accountability must be fixed wherever the lapses are detected. As regards incorporation of suitable penalty clause in the procurement manual in case of default by the suppliers, the Company has incorporated the same in section IV of the procurement manual and issued instructions to all telecom circles vide their communication dated 13 April, 2007. On the issue of making Annual Maintenance Contract guidelines a part and parcel of procurement manual, a proposal is already under consideration of the BSNL Board and after approval necessary clauses will be incorporated in the procurement manual. On the recommendation of the Committee that the Corporate Office should constantly monitor the levy of prescribed liquidated damage charges, the Company vide their communication dated 20 June, 2007 has issued instructions to the CGMs of all the telecom circles to constantly monitor the levy of prescribed LD charges on the defaulting suppliers to protect the financial interest of BSNL. To increase the capacity utilisation in the urban areas the Company has taken a number of steps such as upgradation of existing technology and providing a number of additional value added services to make the WLL Services more attractive. As regards achievement of planned targets of providing WLL Telephone Service to all the villages in the country, the Company has stated that BSNL has already provided telephone facility to 50520 villages by the end of 30.09.2007 and the remaining

villages are to be covered by satellite technology which has been delayed due to delay in allocation of Transponder as a result of failure of INSAT-4C. On the issue of prevention of accumulation of revenue arrears on account of short/delayed billing, the Company has taken a slew of measures including issuance of instructions to all the telecom circles and also by way of upgradation of the technology for automatic detection of defaulting areas. The Company has also taken a number of remedial measures for improving the quality of WLL Telecom Services vide instructions issued by them to all the telecom circles on 13.8.2007. Regarding recommendation of the Committee for establishment of an exclusive division for monitoring of WLL Services, the Company vide their communication dated 21.8.2007 has decided to post one joint DDG with two executives under DDG (SW) for monitoring of WLL projects. It has also been stated in the action taken reply that the performance of BSNL in implementation of USOF assisted activities is being reviewed by the government on regular basis and seven meetings were held during the period 01.03.2006 to 31.03.2007. The government has also noted the Committees recommendations regarding use of solar energy for rural telephony and stated that with changes in technology, use of non-conventional energy may become possible and such avenues will definitely be explored.

The Committee are happy to note that the government /BSNL has either implemented or agreed to implement all the recommendations made by the Committee in their original report. The Committee further note that the C&AG while vetting the action taken replies of the government on the recommendations of the Committee have also expressed their satisfaction on the replies. The Committee, however, desire that the Company must follow sound business principles and prudent commercial practices in future so as to leave minimum scope for deficiencies/shortcomings. On the recommendations which have been accepted in principle and necessary action has been initiated, the Committee desire that the action when completed may be intimated.

CHAPTER - II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

RECOMMENDATION (SI. No. 1)

NON-INTRODUCTION OF LATEST TECHNOLOGY

The Committee note that in pursuance of the National Telecom Policy (NTP-99), the Government mandated BSNL for replacement of existing MARR based VPTs and providing telephone connectivity in the rural areas as well as technically non-feasible and far-flung areas. For this purpose Committee headed by the Minister of State for Communications recommended wireless in Local Loop (WLL) as the most appropriate technology for achieving the targets envisaged in NTP-99.

In this regard, the Committee note that audit in their Report has observed that BSNL procured WLL Systems based on obsolete technologies like IS 95A, V-5.2 as well as CorDect Valued at Rs.1479.87 crores during the period from October, 2000 to March 2005 though the latest CDMA 2000-1X technology was available since October, 2000. The audit has further pointed out that the Company went for such obsolete technologies despite the observations made by the Management Committee of the Board of Directors in March, 2002 that V.5.2 CDMA technology was an outdated one.

The Committee, however, note that BSNL has justified their procurement of technology on the grounds such as - (i) the directive from PMO that only proven technology should be deployed but CDMA 2000 1X was not a proven technology at that time as it was not commercially deployed world wide; (ii) the DoT policy conveyed to BSNL in September 2001 that the wireless access system has to be planned on V.5.2 interface; (iii) the Telecom Engineering Centre (TEC) released the specifications for CDMA 2000 1X in February, 2004 only; (iv) it would have taken another 2 years for deployment if CDMA 1X was chosen.

Analysing the position explained above, the Committee observe that insofar providing telephone coverage to rural and far-flung areas is concerned, the prime objective was to provide telephone connectivity and not the mobility. From this point of view and also taking into consideration the opinion given by the experts, the Committee feel that V.5.2 technology was adequate with that limited objective in mind. However, at the same time, the Committee find that BSNL started launching WLL Service in urban areas of the country also primarily to counter threat from private basic operators who had already commenced their operations in urban areas. From this angle the Committee find that BSNL has definitely lagged behind in induction of latest technologies. While the private

service operators like Reliance, Tata as well as the Government owned PSU MTNL rolled out their WLL networks based on CDMA IX 2000 technology during late 2002 or beginning of 2003, the BSNL continued to purchase WLL equipment based on obsolete technologies even upto the year 2004. In view of these facts the Committee do not agree with the justification offered by BSNL that CDMA 2000 IX was not a proven technology at that time and Telecom Engineering Centre (TEC) released the specifications for it only in February, 2004. It is on record that even the management Committee of the Board of BSNL had observed in March 2002 itself that V.5.2 CDMA Technology was an outdated one and the MSC based solution using International Operating Standards (IOS) was the latest technology for CDMA WLL Systems which could be easily upgraded to CDMA IX 2000 version. The Committee therefore deprecate the failure on the part of BSNL to get the Generic Recommendation (GR) of MSC based equipment only in 2004 i.e. after around 3 years since this latest technology was approved by International Telecom Union (ITU) before October 2000 and inducted by other operators during 2002-03. AS a result, besides losing the business to other service operators, the BSNL now has to spend hefty amounts on upgradation of obsolete technology. In the opinion of the Committee, BSNL should have provided the WLL Services particularly to their urban customers based on latest technologies irrespective of certain bottlenecks faced by them. The Committee, therefore, recommend that in future BSNL should ensure to their customers better technically equipped services setting a bench-mark for the other service providers to follow.

Reply of the Government

1. Comment of BSNL on the observations of the Committee.

BSNL has accepted the observations of the committee that in so far providing telecom facility in rural and far-flung areas where prime objective was to provide telephone connectivity and not the mobility, the V5.2 technology was adequate with the limited objective in mind. However introduction of WLL services in urban areas based on V5.2 / R2 technology was rolled out in accordance with DOT policy -conveyed to BSNL in Sept. 2001 vide letter No.1 0-2/2000-BS.II dt. 12.9.2001 which mandated to provide wireless access system based on V5.2 protocol. Moreover BSNL kept provision for Upgradation of technology from IS 95 to CDMA 2000 IX.

Similar condition and quotation for upgradation was also envisaged while procuring 5 lakh lines CDMA WLL based on V5.2 technology for which tender was issued on 07.05.2002 vide MM/SW/052002/000242. It is worthwhile to mention here that these equipment V52 based CDMA WLL equipment of ZTE make are already under upgradation to CDMA 2000 IX technology with Value Added Services.

Some of the equipment initially procured which are not upgradeable/ not commercially viable to upgrade are being deployed to isolated / far flung rural areas where main objective is to provide voice telephony and not the mobility.

IS 95 - CDMA WLL equipment in urban area has already been ordered to be replaced by CDMA 2000 IX WLL equipment with value added services. It is expected that the roll out of the new equipment will be completed during the year 2007-08. Recovered IS 95 equipment have been ordered to be redeployed in remote / far flung areas.

As regards Committees observation about failure on part of BSNL, to get the generic requirement (GR) of MSC based equipment through Telecom Engineering Centre (TEC) only in 2004, it is submitted that BSNL on its own was prepared technical specifications No. BSNL/SW-OI/OI May. 2002 for MSC based CDMA 2000 IX equipment during May, 2002. Based on this specifications, a tender for procurement of MSC based CDMA2000 IX WLL was floated in July, 2002 itself. However due to technical queries raised by prospective bidders, tender opening was delayed and finally the tender was opened on 10.10.2002 (Commercial) & 17.09.2003 (Financial) and POs were placed on different vendors on 09.03.2004, 29.03.2004 & 18.08.2004. Even after finalization of the tender, equipment had undergone through validation and field trial which took almost one year, to give clearance for starting the commercial supply to the field units. The roll out of CDMA 2000 IX equipment commenced from March 2005. During the period from inviting tender for CDMA 2000 IX equipment to finally giving the clearance for starting commercial supply, additional orders were also placed for CDMA WLL based on IS 95 technology which was already field proven so as to fulfill the immediate requirement of providing WLL DELs, for clearing waiting list and completing the USO target.

2. Action taken by BSNL on recommendations of the Committee:

As recommended by the committee to ensure better technically equipped services to customer and setting a bench mark for other service providers to follow, in this regard following action has already been taken.

BSNL has procured and deployed CDMA WLL equipment based on CDMA 2000 IX technology as per the purchase orders mentioned below:

1. **10.26 lakh lines procurement**

PO No. CE/PO/021/03-04 dated 04.03.2004

PO No. CE/PO/024/03-04 dated 29.03.2004

PO No. CE/PO/011/04-05 dated 18.08.2004

PO No. CE/PO/012/04-05 dated 23.08.2004

2. **4.5 lakh lines procurement**

PO No CE/PO/024/04-05 dated 07.03.2005

3. **5.13 lakh lines procurement**

PO No.CE/PO/003/2005-06 dated 29.08.2006

PO No.CE/PO/004/2005-06 dated 29.08.2006

PO No.CE/PO/005/2005-06 dated 30.08.2006

4. **6.3 lakh lines procurement**

PO No.CE/PO/008/2005-06 dated 28.12.2005

Most of the above MSC based CDMA 2000 IX equipment has already been rolled out and working.

In addition BSNL has placed orders for 30.2 lakh lines of MSC based CDMA 2000 IX WLL system wide following purchase orders.

POs. CE/PO/O12/2006-07 dated 18.12.2006.

PO No CE/PO/031 /2006-07 dated 20.12.2006

The supply .of equipment against above POs has started and installation and commissioning of the same has commenced.

The above purchase orders also contain equipment for providing various Value Added Services to WLL customers as given below.

1. **Wireless intelligent Network (WIN)**

It will be possible to offer IN based services like pre-paid service, VPN etc. to WLL customers with the help of WIN.

2. **Short Message Service Centre (SMSC)**

It will be possible to offer SMS and content based SMS service to WLL customers with the help of SMSC.

3. **Packet Core Network (PCN)**

It will be possible to offer high speed packet data (upto 144 Kbps) to WLL customers with the help of PCN

4. Unified Messaging System:(UMS)

It will be possible to offer voice mail, fax service etc. to WLL customers with the help of UMS.

It is expected that the above Value Added Services will commence during last quarter of this financial year.

RECOMMENDATION (Sl. No. 2)

NON-ANALYSIS OF FINANCIAL VIABILITY AND PROFITABILITY AND SEPARATE COSTING RECORDS

The Committee note that BSNL while planning for launching and expansion of WLL Telephone Service did not carry out financial viability and profitability analysis of WLL Projects during the years 2000-01, 2001-02 and 2003-04 on the ground that the projects had -been undertaken on the basis of a cabinet decision which reflected a social commitment of the government. Also, no separate year-wise details of total revenue billed and collected and the profit and loss account were compiled by the Company from 2000-01 to 2004-05. The Committee further observe that inspite of the instructions issued by the Corporate Office to all its Circles in 2003 and 2004 to prepare separate costing records, 13 Circles and two metro districts did not prepare these records. Further, many Circles did not prepare the required revenue projections also. The BSNL has tried to justify the above-mentioned deficiencies pointed out by the audit on the grounds that – profit and loss account is prepared as a whole and not the product/service-wise in accordance with the provisions of the Companies Act, 1956.; the WLL Services are provided under the Basic Service Licence only which include wire-line services also; WLL Service has never contributed to revenue by more than 1.5% of the Companys total revenue in any financial year and as such even product wise segmental reporting which is required for products having more than 10% of the total revenue of the Company was not required in this case.

The Committee feel dismayed at such a lackadaisical response of the Company in justifying their imprudent act of not maintaining any separate costing records for WLL Service. The Committee find it unbelievable that profit/loss records in respect of WLL Services provided in rural areas are not readily available with the Company. Even the Corporate office on their part did not compile the year-wise details of total revenue billed and collected and the profit and loss account taking the excuse that this was not required in terms of the provisions of Companies Act, 1956. The Committee while observing that the Company is getting a financial support from the government in the form of Universal Service Obligations Fund (USOF) since the year 2002 onwards for providing connectivity in the rural areas, feel that it was absolutely necessary for the Company to accurately carry out the financial viability and profitability analysis of the WLL Projects and preparation of separate costing records. This would have indeed helped the Company to accurately assess the quantum of losses suffered/ likely to be suffered while carrying out this uneconomical but socially desirable commitment of the

Government so that the same could be appropriately subsidized from the USOF besides helping the Company in accurately assessing the remunerativeness of its WLL Services. The Committee, therefore, strongly recommend that the Government issue appropriate directions to the BSNL for preparation of separate costing records pertaining to WLL Service by each Circle so as to ascertain the Circle-wise operational and financial viability besides ensuring that the subsidy released under USOF has been properly accounted for. This would enable the Company to assess the returns on original investments which is presently not possible for the Company. The Company on its part needs to strengthen its monitoring mechanism over its Circles for ensuring adherence to such directions. Any failures by the Circles in compliance with such directions need to be dealt with sternly.

Coming to the issue of financial viability of providing WLL Services in rural areas, the Committee note that presently these services are uneconomical though socially desirable. In this context, the Committee feel that there is a huge scope for bringing a financial turn around in the situation. The Committee has been informed by representatives of the Ministry during their oral evidence that the Government has the plans to achieve a rural tele-density of 25 percent from the presently low tele-density of 2 percent by the year 2012. As such, in the coming years there is going to be a huge demand for telecom in the rural areas. With all the necessary infrastructure and expertise already in place, the Committee are of the considered opinion that the BSNL should be able to capture the majority share of this expansion with very little incremental costs when compared to private service providers who have just stepped in to commence their operations in rural areas. The Committee, therefore, desire that the Company should immediately start chalking out appropriate turnaround strategies and ensure their implementation in a time bound manner so as to convert this loss making proposition into a profitable venture.

Reply of the Government

(1) Preparation of separate cost records for WLL service

From the financial year 2003-04 all the territorial Telecom Circles and Metro Districts have been maintaining the cost records for all types of services including WLL service provided by BSNL as per the Cost Accounting Records Rules 2002. It is ensured that concerned Circles will continue to prepare the cost records pertaining to WLL service in future.

2) Revenue billed and revenue collected in respect of WLL service

Corporate Office has issued instructions to concerned circles to maintain separate sub-ledger statement for WLL (Fixed) and WLL (Mobile) in order to arrive at (i) revenue billed, (ii) revenue collected, (iii) outstanding dues etc. in respect of WLL service.

As per the instructions mentioned above Circles have compiled the details of total revenue billed, revenue collected and outstanding for WLL service for the financial year 2000-01 to 2004-05. The position of outstanding for the period ending 31.03.2005 as on 30.11.06, percentage of recovery and outstanding for period ending 2006-07 up to 30.11.2006 have also been compiled.

3) Projection of revenue in respect of WLL service by the Circle.

Corporate Office has already taken action to fix the revenue target for WLL service from the Revised Estimate of 2006-07 and Budget Estimate of 2007-08.

4) To carry out the financial viability and profitability analysis of the WLL Projects by preparation of Profit & Loss account of WLL service

BSNL has been compiling the Cost Records and Accounting Separation Financial Reports in respect of all the services including WLL service provided by BSNL since 2003-04. These records/reports depict the profit/loss of individual services including WLL Service provided by BSNL. These reports/records help in assessing the financial viability and profitability of WLL service as well as taking various managerial decisions. From these reports/records the return on investment on WLL service can also be ascertained.

5) To capture majority share of new subscriber on account of increase of tele-density in rural areas and chalking out turnaround strategies for WLL service

BSNL has taken up the following steps:

- (a) BSNL has expanded the WLL network in rural areas for providing full coverage so that telephone connection can be given on demand. For this purpose 3 BTS per SDCA have been procured and are under installation and commissioning in the SDCA area.
- (b) In addition to basic voice service the value added services like pre-paid service, SMS, UMS, high speed internet are being rolled out so that additional revenue stream are generated from WLL service. The SMS facility is being provided to all WLL subscribers by default in order to popularize the WLL service.
- (c) Wireless Internet services are also being launched using CDMA data card in rural areas to promote e-governance, e-education, e-medicine etc. in rural areas. Instructions have already been issued to the field units for connections on WLL.
- (d) In order to popularize the WLL service and generate demands for WLL in rural areas BSNL has taken various marketing strategies.

- (i) to arrange special marketing camps in the areas of BTSs (specially in the haats / marriage functions / local functions / gatherings etc. within the BTS area) taking into account the present population, number of existing households, income / occupational pattern of the inhabitants of the targeted area.
- (ii) to get such marketing camps inaugurated by the village Sarpanch or by local important persons who can create additional impact and acceptability of the marketing activities/process of giving new WLL connections.
- (iii) to print pamphlets/materials in local language for wide publicity,
- (iv) to involve local persons / employees of BSNL belonging to those areas in the process of publicity/organizing camps.
- (v) to introduce Mobile Customer Service Centers (CSC) equipped with all necessary facilities e.g. simplified forms, records, booklets, desired stationery items, receipt books etc. and having facility to take photographs of the subscribers by instant photo cameras, in order to complete the formalities for giving a new WLL connection.
- (vi) to give rewards / prizes for early subscribers
- (vii) to reduce the registration fee
- (viii) to provide WLL connection at the camp itself.

Above-mentioned steps will enable BSNL to capture the major chunk of the subscribers in rural areas and boost the revenue of WLL service and make WLL service financially viable.

6) To strengthen the monitoring mechanism over the circles for ensuring adherence to directions issued by Corporate Office

BSNL has introduced Balance Business Score card system. Under this system the Circle-wise monthly/quarterly/yearly targets for all the items of business are fixed and intimated to the circles. The circles furnish achievements against such targets and Corporate office reviews and reconcile such achievements. In this way Corporate office does monitoring so that directives issued by the Corporate office are properly implemented by the Circles.

Recommendation No. 3

NON-FORMULATION OF MARKETING STRATEGIES

The Committee note that the BSNL did not formulate any strategies for launching and marketing of the WLL Services either at its initial launching or subsequent expansion. No budget was exclusively made for this purpose. While the Company had spent an amount of Rs.14.25 crore for promotion of its cellular Mobile Telephone Service, a meager amount only of Rs.22.05 lakh was spent during 2002-03 to 2004-05 on promotion and marketing of WLL Service though

similar investments have been made in these projects. The Committee are dismayed to note that the Company even did not care to conduct any market survey through some reputed agency to assess the likely demand and customers response to the WLL Service though the approval for such survey was given by the CMD of the Company. Further, as admitted by the Company, no study has ever been undertaken by the Company regarding marketing/promotion strategies in respect of WLL Services. In addition to this, the Company procured terminals worth Rs.229 crore without keeping customers preferences in view resulting in their lying idle as there was no demand for them. The Company has tried to justify their failure by stating that market survey was not required as the WLL Service was initially launched for providing Village Public Telephones and to meet the scattered demands of telephones in the rural areas. As such, not much marketing expenditure incurred in the promotion of WLL system as compared to mobile services which is the fastest growing service of BSNL. As regards ascertaining of customers preferences during procurement of WLL terminals worth Rs.229 crore, the Company has come out with the reply that their further procurement has since been stopped and presently, latest State of art technology terminals at par with terminals provided by other private operators are being procured. The Company is making all out efforts to utilize the terminals procured earlier by progressively deploying them in rural areas.

The Committee strongly deplore the non-professional approach of the Company in handling the marketing and promotional aspects of WLL services. Though, there was no competition involved in respect of rural areas, the private players were very much there in the urban areas providing WLL Services. As such, the Committee feel that there was a strong need for the Company to chalk out appropriate marketing strategies for atleast urban areas. Now, as the private players have started making their presence in the rural areas also, it is high time for the Company to evolve suitable marketing strategies so as to ensure that the present status of being a major service provider of WLL services in the rural areas is retained by it and the Company do not lose it to the private players. For this purpose, the Company must put in place a system of conducting market surveys through reputed agencies to ascertain the customers response in respect of quality of service as well as choice of instruments etc. vis-à-vis those being offered by private operators.

Reply of the Government

Regarding the observation of the Committee on Public Undertakings that there is no strategy in marketing of WLL services in the urban areas, it is stated that most of the WLL capacity of BSNL is available in the rural areas for providing Village Public Telephones (VPTs) and Rural DELs.

As on 31.3.07 out of total WLL capacity of 53 lakh, 35 lakh WLL connections are working. Out of the total capacity of 53 lakh, 33 lakh are CDMA 2000 IX MSC based systems 15 lakh IS95 CDMA & balance 6 lakh are of Cor-

DECT technology. In addition 30 lakh lines of CDMA 2000 1X MSC based systems are under installation out of which 5 lakh lines are in urban areas where the existing IS95 CDMA WLL are being replaced. This project is planned to be completed in the current financial year. The IS95 (old Technology) WLL system are being upgraded to 2000 1X MSC based (new technology) in a phased manner.

The company shall launch a promotional scheme in urban areas wherein landline customers giving revenue of more than Rs. 1000 p.m. be given rent free FWT (with no registration/installation charges).

A campaign is also proposed to be launched Circle wise, wherever there is upgradation of IS 95 to CDMA 2000 1X MSC based systems, to offer Value Added Services such as Hi-speed internet up to 144kbps, SMS (with BSNL & Other Operators GSM + CDMA Platforms), Attractive Prepaid packages, CUG-VPN packages, EVDO Data cards and feature rich subscriber terminals.

Presently data available primarily depicts the number of connections circle wise. The comprehensive data giving details of location where the upgraded system are being installed and their technologies is being collated.

Periodic market survey is very essential to be aware of the market dynamics and this is being conducted by respective BSNL circles. The Company has procured FWTs with the latest state-of-the-art technology which are at par with terminals being provided by other private operators. The Quality of service is satisfactory in urban areas equally comparable with private operators. But due to electricity problems the service is not so good in rural areas as battery back up gets exhausted resulting in disruption of services. These handsets support value added services like CLI, color handset. music. SMS etc which the customers demand. Also High speed internet upto 144 kbps will be available to customers in areas with CDMA 2000 1X MSC based systems. In addition prepaid service will be available from December 2007.

Recommendation No. 4

EXCESS PAYMENT DUE TO DELAY IN FINALISATION OF RATES

The Committee note that as per the existing procurement procedure, the Company places the purchase orders for WLL equipment and terminals and the respective Circles that receive the delivery, release the payment to suppliers. In this regard, the Committee observe that Company placed purchase orders for supply of FIXED Wall Terminals (FWTs) on two suppliers namely, M/s ARM Limited and M/s United Telecom Limited, in September and November 2002 respectively on provisional rates. These rates were firmed up by the Corporate Office in December, 2002. However, in November 2004 i.e. after two years from the date of placement of purchase orders, the Corporate office made a

downward revision of the firm rates in respect of the supplies made after the scheduled delivery period. The audit has pointed out that due to this delayed finalisation of rates by the Corporate Office, excess payments to the tune of Rs.5.59 crore were made to these two suppliers by the respective circles. Presently, the issue of recovery of the excess payments is under arbitration as per the direction of the High Court. The Committee are not convinced with the explanation of the Company that most of the Purchase orders are issued at firm prices but in many cases, the provisional price is given if these are issued at the time of forthcoming budget so that reduction in taxes/levies may be incorporated while finalizing the prices.

Taking a holistic view, the Committee are of the opinion that the prevalent procurement practice is ambiguous in respect of the price settlement mechanism. Also, there appears to be a lack of coordination between the Corporate Office and the Circles in releasing payments to the suppliers. No definite time-limits exist within which, the provisional prices are required to be firmed up in the cases of purchase orders placed on provisional rates. As a result, the Company has to waste their time and energy for recovery of excess payments by way of avoidable litigations in courts and arbitration proceedings. Towards this end, the Committee note that now the Company has introduced a "Fall Clause" applicable to the supplies made during the extended delivery period in the Procurement Manual to strengthen the position of BSNL in the cases of litigations. The Committee feel that this step should have been taken by the Company much earlier. The Committee, therefore, recommend that BSNL should undertake a comprehensive review of its procurement manual to streamline their procurement procedure with a view to remove deficiencies in the purchase system.

Reply of the Government

As recommended by the Committee, BSNL has already reviewed its Procurement Manual. Suggestions from field units and other concerned bodies were invited and based on various inputs, the price clause, Fall Clause, L.D. Clause etc. have already been updated to remove deficiency in the purchase system

Recommendation No. 5

FAILURE TO OBTAIN PERFORMANCE BANK GUARANTEES

The Committee note that as per the Procurement manual of the Company, there is a provision for obtaining from the suppliers an Additional Performance Bank Guarantee (PBGs) @ 5% of the value of the remaining quantity to be supplied during the extended delivery period. In this regard the Audit has pointed out that such additional PBGs amounting to Rs.2.49 crores were short realized from two suppliers namely M/s Tera Com and M/s HFCL. Similarly, in respect of one purchase order placed on M/s ITI, the audit has observed that the Company

neither recovered the initial corporate guarantee nor the additional PBGs before granting extensions to the original schedule. In addition to this, the Company in the case of Orissa Circle, released prematurely the additional Bank Guarantee of Rs.4.11 Crore after six months instead of the prescribed requirement of seven months. The audit has, therefore, concluded that this failure on the part of the Company to obtain PBGs and premature release of PBGs has resulted in undue financial benefits of Rs.26.40 crore to the suppliers.

In the above context, the Committee observe that the main purpose of obtaining the PBG is to safeguard the interests of the buyer by way of a compensation for any loss resulting from the suppliers failure to complete its obligations under the contract. This purpose gets defeated if PBGs are released without ensuring that the equipment supplied is fault-free and no claim is pending against the supplier. The extant case not only casts a reflection on the monitoring role of the Corporate Office over its various Circles in their adherence to various prescribed procedures in the procurement manual but also does not absolve the Circle authorities from their responsibilities of safeguarding the financial interests of the Company. The Committee, therefore, strongly recommend that in order to safeguard its financial interests, the Company must strengthen its monitoring mechanism to ensure that procedures relating to performance Bank Guarantees as prescribed in the procurement manual are strictly adhered to by all the Circles and accountability must be fixed wherever the lapses are detected. The Corporate Office must keep itself apprised of the status of obtaining/releasing of PBGs as well as the extensions, if any, granted to the suppliers by the Circles and make necessary interventions wherever necessary.

Reply of the Government

- (i) With regard to committees observation regarding short realization of additional BG amounting to Rs.2.49 crores from M/s. Teracom and M/s. HFCL, it is submitted that there is a difference between PBG and additional BG. The PBG equal to 5% of PO value of both these vendors are still in custody of BSNL. The additional BG is taken at the time of granting DP extension and is in addition to PBG. Recently, the requirement of additional BG at the time of extension of Delivery Period was reviewed by the Management of BSNL and it has been decided that henceforth this additional BG will not be required for Delivery Period extension upto 20 weeks. Only in case the extension is granted beyond 20 weeks then this additional BG will be asked from the vendors.
- (ii) The observation of the Audit regarding ITI is also not correct. M/s ITI, as per rule, is exempted from submission of PBG, so no PBG was taken at the time of APO. However, the additional 5% BG for Rs.9, 15,10,9511-dated 22-04-2005 was taken while extending the delivery period. The POs placed on M/s. ITI for IFWTs were later short closed

and the PBG(5%) and additional BG(5%) have already been recovered from their bills.

- (iii) It is further submitted that PBGs are strictly released as per the provision of Procurement manual. It is submitted that the PBGs obtained by corporate office are monitored regularly and the PBGs obtained by circles/field units are monitored at circle level. Further instructions have been sent to circle for taking full care in this regard.

Recommendation No. 6

ABSENCE OF PENALTY PROVISION IN THE PROCUREMENT MANUAL

The Committee note with concern that, the Companys manual for procurement of telecom equipment and stores did not specify any specific terms and conditions for levy of penalty on suppliers for delays in installation, acceptance/testing and commissioning of the WLL projects to be executed on turnkey basis. The audit scrutiny has revealed that absence of any such penalty provisions has resulted in blocking of capital of Rs 134.97 crore. As per the Audit the Company has failed to levy appropriate penalties on the concerned Companies namely, M/s LG Electronics, M/s ARM, M/s UTL and M/s ITI in respect of deficiencies in the equipment supplied by them on various counts like delays in installation, acceptance and testing and commissioning of WLL equipment, coverage and other defects. The Committee have been apprised that the BSNL Board has constituted a High Power Committee (HPC) which has recommended different penalties to be imposed on the defaulting companies for different activities and the Circles have been recently provided with the recommendations of the HPC with instructions to take suitable action against the defaulting suppliers.

The Committee note with concern that absence of any penalty provision either in the tender document or in the procurement manual has led to the failure of the Company in imposing the required penalties on the suppliers. The Committee, therefore, strongly recommend that the Company should invariably ensure that suitable penalty clause is included in the tender document/ other legal documents so that no party can take undue advantage of the provision.

Reply of the Government

The requirement of penalty clause for delay in installation & commissioning activities is different for different projects, such as CDMA WLL, DLC, Broad Band, GSM etc. Accordingly the management of BSNL has decided that generalization of this clause would not be possible and has to be modified on case to case basis. Accordingly, it has been decided that the penalty clause for delay in installation & commissioning would be a part of special conditions,

Section IV. For each tender relating to Turnkey projects this clause would be customized and got approved by the Planning Wing before issue of NIT.

Recommendation No. 7

DELAY IN FINALISATION OF ANNUAL MAINTENANCE CONTRACT

The Committee note that as per the provisions of the Bid documents, Annual Maintenance Contracts (AMCs) for the maintenance of WLL Terminals were to be signed by the Circles with the concerned suppliers at the end of the warranty period. The audit scrutiny has revealed that 55475 defective WLL terminals were lying in 16 Circles due to non execution of AMCs with the suppliers, resulting in unremunerative investment of Rs 47.95 crore. According to the Company, the AMC guidelines were prepared in time. However, as the Company decided to renegotiate the prices of the AMC which were finalized in the earlier Purchase Orders, it took some time to finalise the new rates. Also there were some delay due to negotiations with the suppliers for implementation of the new AMC guidelines so finalized. The Company has further been informed that now onwards, detailed AMCs has been made as part of the tender thus obviating the need to issue further guidelines at a later date. The Committee has also been informed that all the defective WLL terminals have since been got repaired by the concerned suppliers as per the provisions of the finalized AMC agreement.

Taking into view the aforesaid position, the Committee feel that there has been a definite avoidable delay on the part of the Company in finalizing the AMC guidelines resulting in not only the delayed rectification of the faulty WLL terminals but also the consequential revenue loss due to non-deployment of the defective equipment. The Committee feel that the bid-document itself should have contained the details of the AMCs. The Committee has not been provided with any information justifying as to why the AMC guidelines were not finalized at the purchase order stage itself. This type of imprudent practice followed by the Company for AMCs is bound to create bitterness between the Company and the suppliers. The Committee recommend that the AMC guidelines should be made a part and parcel of the procurement manual so as to serve as a reference point for future procurements and the provisions of the procurement manual should strictly be followed in all the bid documents.

Reply of the Government

As recommended by the committee, for inclusion of AMC guidelines as a part and parcel of the procurement manual, MM cell has already submitted the memo for the same for the consideration of BSNL Board. The necessary AMC clauses will be incorporated by MM cell in the Procurement Manual after obtaining the approval of BSNL Board.

Recommendation No. 8

LIQUIDATED DAMAGES

The Committee note that Purchase orders for WLL projects issued by the corporate office specifically provided for levy of liquidated damage (LD) charges on the suppliers in cases of delays in delivery of WLL equipment. The Audit has pointed out that in 34 cases in nine circles and the Chennai Telephones District, LD charges were either not levied or short levied on the defaulting suppliers despite non delivery and delayed delivery of WLL equipment and terminals by them. Consequently, the Company had to incur a loss of Rs 11.97 crore due to non-levy and short levy of LD charges on the defaulting suppliers. In response to this audit observation the Company has submitted that LD was levied as per the procedure and only a meager amount of Rs.11,80,313 is to be recovered which is held up due to stay on recoveries as the case is sub-judice with an arbitrator. The Committee would, however, like to recommend that the Corporate Office should constantly monitor the levy of prescribed liquidated damage charges by the Circles on the defaulting suppliers to protect its financial interests and avoidance of entering into unnecessary litigations against the suppliers for recoveries.

Reply of the Government

The recommendation of the committee that corporate office should constantly monitor the levy of prescribed liquidated damage charges (LD Charges) by the circle is well taken but considering the enormous quantum of work and distributed nature of payment it would not be practically possible to monitor the action taken by the field units in this regard. However, instructions have been issued to all CGMs to constantly monitor the levy of prescribed LD charges on the defaulting suppliers to protect the financial interest of BSNL

Recommendation No 9

UTILISATION OF EQUIPPED CAPACITY

The Committee note that In order to ensure proper returns on the investment made in a project, it is imperative that the equipped capacity of the project is optimally utilised and all prescribed targets for capacity utilisation are met. The Audit has pointed out that the capacity utilisation was 60.53 per cent against the total equipped capacity of 26.89 lakh lines of WLL systems as of March 2005 mainly on account of deficiencies in planning, procurements, network coverage and poor quality of service. The Company formulated the plans for launching of the WLL telephone service and its subsequent expansion with inadequate assessment of demand and requirement and did not consider identification of areas based on population and trade statistics, unutilised capacity, presence of private operators and the envisaged growth of its other

telephone services. Expansion of the capacity during 2002-03 to 2004-05 in seven circles despite underutilisation of the existing capacity, led to injudicious expenditure of Rs 108.64 crore on expansion.

The Company on the above-mentioned audit observations has submitted that the planning of WLL in urban areas was primarily to counter the threat from existing private operators and in rural areas the stress was mainly to provide VPTs, replacement of MARR VPTs, clear the waiting list and to meet scattered demands in remote areas. Regarding the further expansion of the WLL service inspite of the existence of utilised capacity, the Company has stated that this has been done mainly for providing coverage in very large geographical area needed to be covered to meet the scattered demands in rural areas. The expansion of the capacity was also done to meet the time-bound programmes set by USOF. Regarding the latest position of the capacity utilization, the Committee has been informed that for rural areas the present loading has already crossed 76% and for Urban areas it is 42%. The Company has also justified the expansion on the ground that the existing unutilized capacity is being progressively utilized for future programmes.

The Committee observe that although the capacity utilization for WLL service in the rural areas is almost 76%, it is very low for urban areas which is only about 42%. The Committee therefore recommend that the Company must adopt appropriate measures like upgrading the existing technology and providing value-added services like SMS, High-speed internet, pre-paid services etc. to make WLL services more attractive so as to increase its capacity utilization in the urban areas also. This whole exercise must be conducted in a time-bound manner. The Committee further recommend that the Company should consider unutilized capacities, presence of other private operators and envisaged growth of its own landline and cellular mobile telephone services while forecasting demand and requirements in the future. The Company should also prepare appropriate strategies for ensuring optimum utilisation of the equipped capacity of its WLL systems

Reply of the Government

BSNL is in agreement with the committee that the capacity utilisation in rural area is better and the same is poor in urban areas and in order to increase the capacity utilisation in urban areas, it is required to upgrade the existing technology and provide Value Added Services like SMS, High Speed internet, prepaid services etc. to make WLL services more attractive.

BSNL has taken following actions in this regard.

Upgradation of Technology in urban area

1. BSNL Management Committee vide item No. 50.07, approved procurement of 5 lakh lines MSC based. CDMA WLL for replacement of 5 lakh

lines IS 95 Urban WLL by invoking 25% add order clause in present 25.2 lakh lines CDMA WLL Tender. Accordingly purchase orders were placed for 30.2 lakh lines CDMA WLL based on latest technology (CDMA 2000 1X/1X EVDO). Instructions were issued to field units on 15.2.2007 giving detailed guidelines regarding redeployment of commissioned IS 95 V5.2/R2 based WLL in general including urban WLL redeployment.

2. In additions circles have been given guidelines vide 69-15/2002-ESP/Vol.V dated 19.2.07 for planning of WLL in urban areas and project additional requirement of CDMA WLL

Provision of Value added Services in Urban areas

BSNL has already procured equipment for providing various Value Added Services as detailed below:

1. **Wireless Intelligent Network (WIN)**

It will be possible to offer WIN based services like pre-paid service, VPN etc. to WLL customers with the help of WIN.

2. **Short Message Service Centre (SMSC)**

It will be possible to offer SMS and content based SNS service to WLL customers with the help of SMSC.

3. **Packet Core Network (PCN)**

It will be possible to offer high speed packet data (up to 144 Kbps) to WLL customers with the help of PCN.

Unified Messaging System (UMS)

It will be possible to offer voice mail, fax service etc. to WLL customers with the help of UMS.

It is expected that all the above Value Added Services shall commence during the last quarter of this financial year.

Proper projection of requirement/demand of WLL Equipment

The Chief General Managers of all the circles have been instructed individually vide 70-7/2006-ESP/para 1.9.1.32 to 1.9.1.4/C&AG dated 21st July, 2006 (Copy enclosed as Annexure-E) to project requirement of CDMA WLL equipment considering presence of other private operator and envisaged growth of own landline and CMTS.

Strategies to optimally utilise the equipped capacity BSNL

1. BSNL has decided to promote WLL in urban areas.
2. The data capability of CDMA 2000 1X WLL services are being exploited to generate additional demand of WLL. The circles have been given target for internet connection also vide 69-15/2002-ESP/Vol.VI dated 15.06.2007
3. The utilisation of capacities are being monitored through monthly MIS.

Recommendation No. 10

ACHIEVEMENT OF PLANNED TARGETS

The Committee note that the Universal Service Obligations (USO) under New Telecom Policy (NTP- 99) envisaged providing telephones on demand, besides telephone coverage of all the villages in the country by the end of the Ninth Five Year Plan i.e. 2002. Based on these obligations, Department of Telecommunications decided in August 2000 to replace all faulty VPTs working on the Multi Access Radio Relay (MARR) System by the WLL System by the end of 2002 and to provide new VPTs only through WLL. In pursuance of this objective, the BSNL had set out a target of providing one Wireless-in-Local Loop (WLL) system in each of the 2,642 Short Distance Charging Areas (SDCAs) in the country till 2001-02. However, the audit scrutiny has revealed that the targets so set out had not been achieved and the Company has failed to achieve the annual plan targets fixed for replacement of faulty MARR based VPTs for the years 2003-04 and 2004-05 and for installation of new VPTs for the years 2001-02, 2002-03 and 2003-04. In this regard, the Committee note from the latest information furnished by the Company that out of the the total replacement of 1,41,223 MARR VPTs, 1,11,221 MARR VPTs have been replaced by 31.07.2006 and the balance 30,002 MARR VPTs are planned to be replaced in the current financial year itself. As regards providing new VPTs based on WLL Technology, the Committee note that as on 31 July, 2006, the Company has provided VPTs in 5,39,278 villages and the remaining villages are planned to be provided with telephone facilities by November, 2007. Even in the year 2007, there is a huge waiting list of 7.37 lakh for telephone connections including WLL telephone services in various rural areas of the country and the Company is planning to clear it by the year 2007-08. The Company has tried to justify their under-performance by stating that - there was delayed supply of the WLL equipment; the MARR VPTs were scattered throughout the length and breadth of the country including remote and far-flung areas; problem of insurgencies in certain areas etc.

Analyzing the reasons for non-achievement of the planned targets, the Committee feel that primarily, the Company failed to fix realistic targets for year-wise achievement due to deficiencies in planning, creation of infrastructure, procurement, capacity utilization, operational performance. It was imperative on

the part of the Company to plan the launch of WLL telephone service and its future expansions very carefully and these issues should have been addressed prior to the setting up of the targets. However this did not happen to be the case and targets for the years 2001- 02 to 2003-04 could not be fully achieved in one respect or the other. No information has been brought to the notice of the Committee which may indicate that any serious efforts were made either by the Government or by the Company for achievement of the planned targets. The Committee observe that while some circles managed to over perform, a majority of Circles have under performed. This indicates that there was lack of coordination and monitoring on the part of the Corporate Office. Another factor which has contributed to the non-achievement of targets envisaged in NTP-99 is the under-performance of private service providers in fulfilling their part of the social commitment of government of providing 97806 VPTs in the rural areas by the year 2002. This condition was stipulated by the DoT at the time of issue of license agreement to private basic service operators who could actually provide only 846 VPTs by March, 2002 and 10698 VPTs by May, 2003. This happened because these Basic Service Operators were subsequently allowed to migrate to a new license namely, Unified Access (basic and cellular) Service License in November 2003 which did not carry the requirement of mandatory coverage of rural areas. The Committee attribute the failure of achievement of targets on both the Government as well as the BSNL and recommend that all out efforts must be made by the BSNL to achieve the targets of complete replacement of faulty MARR VPTs, installation of new VPTs and clearance of the existing waiting list in the rural areas within the specified schedule fixed by them i.e. by November 2007. The Committee further recommend that the Government on their part instead of remaining a mute spectator, also see to it that this issue of national importance is fully achieved in a time bound manner by playing an active monitoring role over the implementing agencies.

Reply of the Government

Installation of new Village Public Telephones (VPTs): BSNL has entered into an agreement on 10.11.2004 with USOF, DoT to provide facility to 66822 accessible, undisputed and undisturbed villages inhabited with population more than 100 including 14183 village to be covered by Digital Satellite Phone Terminals (DSPTs) located in remote and far-flung areas which cannot otherwise be covered by any terrestrial technology; progressively by November, 2007. Out of the awarded work, BSNL has already provided telephone facility to 50520 villages by the end of 30.09.2007. The remaining villages are primarily to be covered by satellite technology (DSPT) whose equipment is presently under validation and testing trials. The remaining villages are primarily to be covered by satellite technology (DSPT) whose equipment is presently under validation and testing trials. The DSPT project has been delayed due to delay in allocation of Transponder as a result of failure of INSAT-4C. With allotment an alternative transponder by ISRO in August 2007, the installation of VPT on DSPT is likely to

start from December 07. Remaining VPTs on terrestrial media are likely to be installed by November, 2007.

Complete replacement of faulty MARR VPTs: BSNL has already replaced 132642 MARR VPTs in its network upto 30.9.2007. Thus there are 8581 MARR VPTs pending for replacement as per the agreement in which 3266 MARR VPTs have been replaced upto 30.9.2007. Further some of the MARR VPTs on account of being located in remote and far flung areas shall require satellite (DSPT) equipment for replacement. BSNL has accordingly planned to replace all the existing balance MARR VPTs by March 08.

Clearance of the existing waiting list in the rural areas by November, 2007: Generation of waiting list is a continuous process, BSNL has a waiting list of 6.29 lakhs (wired + WLL) as on 1.10.2007. BSNL has added 6.87 lakhs on fixed/WLL/GSM network during 1.4.2007 to 30.9.2007.

BSNL proposes to achieve target of 10.00 lakhs rural connections in the year 07-08. Thus it can be seen that waiting list continue to be created and BSNL will be putting al out efforts to provide maximum possible connections subject to technical feasibility.

Monitoring of the USOF targets: The monitoring of the activities mentioned above is being done by the Ministry at the level of Secretary, Telecom on regular basis wherein the BSNLs plans, including the material supplies etc. pertaining to the above activities are reviewed.

As per the terms and conditions of the Agreements signed between Universal Service Obligation Fund (USOF) Administration and BSNL, monthly progress reports for the replacement of MARR based VPTs, installation of new VPTs and rural lines are taken. These figures are being sent regularly as in inut for various Priliament Committees and the PMO/Planning Commission, who are monitoring the Bharat Nirman Programme. Regular review meetings are being held under the chairmanship of Secretary, DOT and Administrator USOF with CMD BSNL to monitor the status of ongoing USF activities. A representative of M/s ITI which is supplying equipment to M/s BSNL is also invited to the meetings. Seven numbers of meetings have been held during the period 1.3.06 to 31.3.2007. Instructions Record of discussions of the meeting are issued and the implementation status is reviewed.

Recommendation No. 11

ACCUMULATION OF REVENUE ARREARS ON ACCOUNT OF SHORT/DELAYED BILLING

The Committee note that according to Audit, there were many inadequacies in the billing, collection and accounting of revenue practices followed by the BSNL with respect to WLL connections. These deficiencies

include accumulation of revenue arrears due to delays in submission of completed advice notes; short billing of WLL connections; delayed billing of WLL connections; non-monitoring of bills of heavy callers; heavy outstanding against WLL customers; non-closing of WLL connections after their disconnection and non-availability of automatic disconnection facilities etc. According to the Audit, due to these short-comings, the percentage of outstanding revenue has showed an increasing trend and at the end of March, 2005, the total outstanding against WLL customers was Rs.113.88 crore. In this regard, the Committee note that as per the procedure followed in the Company, Telephone Revenue Accounting (TRA) unit of a Secondary Switching Area (SSA) is mainly responsible for billing and Collection. The main functions of TRA unit is issue of bills, collection-monitoring, billing complaint handling, issue of reminder for payment, preparation of disconnection list and dispatch to each exchange for implementing disconnections, preparation of defaulter list and pursuit thereafter, preparation of revenue sub-ledger and reporting to circle office. The performance of TRA branch of each SSA is monitored by the Circle concerned in the form of performance parameters like - collection efficiency, total amount billed for, revenue per user, outstanding etc. The Corporate office of BSNL is monitoring revenue performance of each Circle and in case of any shortcomings necessary instructions are issued by it. As per the information furnished by the Company, the total outstanding against WLL connections is approximately Rs.111 crore on account of short billing/delayed billing, non-receipt of completed advice note in TRA Branch, non-receipt of meter-reading, failing of billing hardware and software etc. Regarding non-receipt of timely intimation to the TRA Branch, the Company has stated that in about 80% of areas served by WLL Technology, Circles fall in rural areas and are located very far from TRA office. As such the delivery of message/dak takes time.

The Committee note that the Company has taken a number of remedial measures to do away with the short-comings/deficiencies pointed out by the Audit so as to ensure minimum revenue arrears due to short/delayed billing in the future. All the SSAs have been instructed by the Company to issue bills before 14th of next month and in case of non-payment, disconnection within 35 days is to be carried out. Instructions have been issued to the Circles to educate the concerned staff to ensure prompt billing and the need of monitoring of billing and collection of heavy callers .The Committee has also been informed that an automatic billing software is already in pipeline and auto disconnection facility would be made available all over India.

The Committee take a serious note of huge outstanding arrears to the tune of Rs.111 crore in the BSNL on account of deficiencies in the billing process. The Committee feel that various justifications furnished by the Company for accumulation of these arrears are of routine nature and reflects a non-professional approach in the matter. This fact is further strengthened by the admission of the Company that no separate accounts are available to segregate the various outstanding. Even no separate records relating to recovery of

outstanding arrears are available in the Company. The Company has failed to devise any method to ensure that advice notes are timely received in the TRA Branch from the far-flung rural areas and have continued to depend upon the manual message/dak delivery system. The Committee, therefore, strongly recommend that the Company should further strengthen its coordination mechanism amongst its various wings for ensuring complete billing and revenue realization. The Company should ensure a fool-proof mechanism in respect of timely receipt of advice notes from the commercial wing after completion of activities relating to opening, shifting and closure of connections, so that bills are issued immediately; prompt receipt of meter readings from exchanges and billing of the same without delay; immediate stopping of billing after disconnection and closure of connections; proper monitoring of outstanding revenue etc. The Company should ensure effective monitoring of outstanding revenue to avoid the risk of accumulation of revenue arrears. The TRA branch should prepare separate details of the revenue billed, collected and outstanding in respect of their WLL telephone service to monitor the return on investment on this service. The Company may also ensure that automatic billing software should be deployed at the earliest. The Committee further emphasize that all out efforts must be made for recovery of outstanding arrears from the defaulting parties. In order to avoid recurrence of such lapses in the future, the Committee recommend that a system be put in place for fixing responsibility on the persons found guilty of dereliction of duties assigned to them.

Reply of the Government

As WLL Service is a part of FIXed Lines, several instructions are issued regularly to all the Heads of BSNL Circles for prompt and correct billing and realization of billed revenue for all services including WLL. All the head of Circles are impressed upon to ensure that related instructions on complete billing and revenue realization of telephone revenue are strictly implemented. Necessary instructions are being issued from time to time and the same are also recently reiterated in Para 1(billing) of letter No. 2-108/2007-BSNL/TR dated 14-8-2007.

- (i) Process of integration of billing system consisting of commercial and TR packages is in vogue in all the Circles and has been strengthened and streamlined, therefore maximum number of advice notes generated are updated online instantaneously into the billing Database.
- (ii) Number of online counters has been increased at customer service centers in all the Circles to facilitate online updating and reducing manual updating of bills received in Post Offices and Banks.
- (iii) Timely disconnection and prompt reconnection after payment is being monitored on.
- (iv) Periodic reviews of unaddressed bills are being watched and corrective measures are taken to avoid the same.
- (v) Specialized pursuit cells are available to ensure that wherever necessary, legal action is initiated well in time.

- (vi) All the Circles have been directed to pursue dues on par with arrears of land revenue and State Revenue Recovery Act vide letter no. 2-33/2002-TR(BSNL) dated 12.4.2007.
- (vii) Various schemes like waiver of intervening periods rent from the date of disconnection, discount scheme etc. are introduced from time to time.
- (viii) Specific time bound Circle -wise targets are prescribed for each segment maintained in the level of SSA, Circle & Corporate Officer and are reviewed on a monthly basis.

Out of the 26 Circles (Including Chennai and Kolkata Telecom Districts) DOTSOFT - an in-house billing and accounting software has been introduced in 17 Circles. In Chennai and Kolkata Telecom Districts; similar software are in place.

With the introduction of these billing software, functions of Commercial, indoor Outdoor have been fully integrated with the Telephone Revenue Billing & branch. This ensures movement of Advice notes issued by the commercial Wing to the Indoor, Outdoors, and units electronically. Once the line is physically put then all required data flows into the database used for billing of subscribers. As such, billing of all connections are ensured and there is no time lag between provision of connections and updating of database for billing.

As regards disconnections and closure also, database gets updated automatically once inputs are made by the Indoor/Outdoor units.

In cases of shifts, the Customer identity is retained and bills are generated to new shifting addresses.

As such, possibilities of delays in receipt of advice notes, in Telephone Revenue wing leading to delayed billing, non-billing etc. are avoided.

In respect of the remaining Circles also, strict instructions have been issued to ensure that advice notes for opening, shifting, closure etc. to reach the Telephone Revenue wing on time [vide letter no. 2-11/2004-BSNL/TR dated 26.12.2005].

With the introduction of DOTSOFT and other Billing software packages, meter readings are being received from the exchanges online through FTP(File Transfer Protocol) immediately after the date of conventional closing meter reading dates. As such, any delay in receipt of meter readings from the exchanges is ruled out.

In case of non-payment of dues, first outgoing facility is barred after 35th day from bill date. Then, if payment is not received even after 15 days of such outgoing facility barring, then incoming facility is also barred. All these functions have been automated on introduction of DOTSOFT package. Once incoming

facility is also barred, then the billing software stops issue of rent bills for period beyond the date of disconnection. As such, raising of rent bills after the date of disconnection is stopped by the system itself.

The Company has prescribed targets for Collection Efficiency for all circles as below:-

I month Collection efficiency:- 90% of amount billed.

II month Collection efficiency:- 97% of amount billed.

III month Collection efficiency:- 99.5% of amount billed.

Actual collection efficiency achieved by each Circle is being closely monitored by the Corporate office through review of Monthly Subledger Review statement received from all Circles, this office. Actual Targets achieved by each Circle for the month of May 2007 is detailed. The Corporate office is thus monitoring collection efficiency from the first month of issue of bills onwards with a view to ensuring prompt collection revenue billed and thereby checking on accumulation of arrears.

Besides, every Circle is furnishing year wise and category wise breakup for their closing balance for each month as prescribed in the format (Annexure-IV). Corporate office is fixing Quarterly Targets for liquidation of arrears for each Circle and monitoring progress made by each Circle. Break up for closing balance year wise and Circle wise for the month of May 2007 is furnished

The company has issued instructions for appointment of Private Recovery Agents also on commission basis to recover dues from defaulters to supplement the efforts taken by the company officials.

As narrated in the action taken for the Recommendation No. 2(iii) above, Collection efficiency of each Circle is being monitored by the Corporate Office from the first month of issue of bills by prescribing targets.

The company has prescribed a separate section in the Monthly Sub ledger statement to monitor realization of dues against WLL connections.

Instructions and guidelines to ensure prompt realization of revenue billed are being issued by the Corporate Office at periodical intervals.

Over last three years, despite high rate of churning due to multi-operator environment, BSNL is still maintaining 98% collection efficiency, which is perhaps the highest in the Government of India including the State Electricity Boards and other Departments. As compared to Global Telecom Industry average of outstanding (5% of total billing), performance of BSNL (about 1.59% of total billing) is far better than other operators.

The Company has prescribed separate sections in the Monthly Sub ledger statement to depict information of revenue billed, revenue realized and outstanding dues in respect of WLL connections separately for WLL (Fixed) and WLL (Mobile) connections. Year wise outstanding dues are also being furnished by each Circle and realization of dues is being monitored by the Corporate office. ARPU for, WLL (Fixed) and WLL (Mobile) connections is also calculated by each circle and this will facilitate to monitor return on investment on this service.

It has been decided to deploy Billing and Customer Care System for MSC based CDMA WLL on Zonal basis. In this regard, the existing Billing and Customer Care System for CMTS (Cellular Mobile. Telephone System) are-being augmented and integrated with all the Network Elements of MSC based CDMA WLL System. It is likely that most of the ,Network Elements shall be integrated progressively by March 2008.

After integration of MSC based CDMA WLL system with CMTS billing and customer care system, it will be possible to minimize delay in providing the new connections, prompt issue of bills, online collection of billing data from MSC etc, automatic disconnection on non-payment, automatic disconnection on non-payment, proper monitoring of collection and outstanding revenue and monitoring the return on investment etc.

All out efforts are being made for recovery of outstanding arrears from the defaulting parties along with the fixed lines including that of WLL lines, the steps that have been taken to realize the outstanding dues which are also applicable to WLL services as well. Heads of Circles have been asked to ensure: -

- (i) Wherever justified, legal action is initiated to recover, the outstanding arrears.
- (ii) High power Committee / Liquidation Board meet regularly and review the defaulter cases and give necessary directions for recovery of outstanding arrears.
- (iii) Private recovery agents scheme and discount scheme for old outstanding arrears are utilized by the SSAs to optimum level

With the introduction of DOTSOFT and other billing packages, preparation of Disconnection lists is automated. Issue of disconnection lists by the Telephone Revenue Accounting wing is online and the system captures the date and time at which such lists are issued by the telephone Revenue section. Action taken by the, Indoor unit for disconnection is also fed into the system. As such, the entire flow of work regarding timely disconnection is recorded online and any delay at any point can be detected from the system.

As duties and responsibilities of each functionary have been laid down, any deliberate disregard of instructions to, adhere to the timeframe of such activities can be monitored. With such an online system in place, chances of

deliberate dereliction of duty are minimized. However, necessary instructions have been issued to all Heads of Circle to review and fix responsibility.

Recommendation No. 12

QUALITY OF WLL SERVICE

The Committee note that quality of service is the main indicator of the performance of a telephone service as well as of the degree to which the service conforms to the stipulated norms. The Committee observe that the norms prescribed by TRAI for the quality of service performed by basic service operators were applicable for the WLL service of the Company also. In this regard a survey conducted by Audit has revealed that the Company had failed to achieve the quality of service norms prescribed by TRAI pertaining to release of connections, incidence of faults and their rectification, voice quality, getting connections to desired telephone numbers and provision of additional facilities like STD and ISD etc. The Committee note that in order to do away with these short-comings, the Company has taken a number of remedial measures to improve the quality of service. The Company has planned to increase the number of Base Transceiver Station(BTS) per Short Distance Charging Area (SDCA) to improve the network coverage besides upgrading the existing V.5.2 based CDMA technology to MSC based CDMA 2000 IX. Further value added services like pre-paid, SMS, high-speed packet data, MMS etc. are being introduced progressively. The Circles have also been instructed to provide charging facilities in telephone exchanges for WLL terminals to the customers in rural areas where there is lack of electricity.

The Committee while appreciating the various measures so undertaken by the Company to improve the quality of service by the Company are of the view that these steps were required to be taken much earlier. The Committee are constrained to note that the Company has never conducted any market surveys exclusively for WLL Service to obtain feedbacks from its customers to ascertain the ground realities regarding the quality of WLL service and take immediate corrective action on the same. The Committee feel that this exercise should be undertaken by the Company from time to time to enable it to provide a better operational performance besides also competing with the private players in the field. The Committee, therefore, recommend that the Company should strengthen its monitoring mechanism by obtaining monthly reports from all the circles on customer care. The Company must ensure implementation of the various remedial measures suggested by them to improve the quality of service at the earliest possible. The Committee further recommend that the Company should ensure adherence to the quality of service norms fixed by TRAI to avoid the risk of migration of the customers to other operators. The Company should ensure proper coordination among its customer care, commercial and operational wings for minimizing the delays in attending to customers complaints

and requests for additional facilities to avoid the risks of losing them to their competitors.

Reply of the Government

As recommended by the committee to ensure better quality of service to the customer and setting a bench mark for other service providers to follow, in this regard following action has already been taken.

Remedial Measures: BSNL Corporate Office has issued a no. of instructions from time to time to the Circles to keep the WLL services in good conditions. Some of these are given below:

- (i) Dos and Donts for the subscribers having WLL connections (FWTs) vide letter No.24-1/2003-WLLdated 17/19-12-2003.
- (ii) Review of Insurance Policy for FWTs and HHTs vide letter no 55-5/2002-ML (WLL)/AMC VoL- II dated 27/30-7-2004.
- (iii) Deployment of IFWTs supplied with SMPs in rural areas vide letter no. 14-1/2004-WLL dated 01.09.2005.
- (iv) Maintenance of in-built -batteries of IFWTs/HHTs/SMPs: Refreshing charge regarding vide letter no. 3-6/2006-WLUFWTs dated 21.6.2006.
- (v) Replacement of faulty FWTs vide letter no. 24-4/2004-WLUFWTs dated 14.8.2006.
- (vi) Review monthly meeting with suppliers of WLL equipment for their performance vide letter no. 25-1/2007-WII/General dated 21.6.2007.
- (vii) Monitoring of quality of WLL services and taking preventive/corrective steps in this regard: Quality of service and O&M reporting vide letter no. 18-1/2006-WLL/TRAI Report dated 13.8.2007.

The letter mentioned at sl. no (vii) is a monitoring report on QOS parameters put in place to review operational aspect of WLL services in the network.

TRAI regulation on Quality of Service (QoS) of Basic services Wireless I.e. WLL services: Quarterly report regarding: NM branch is looking after operation and maintenance aspect of WLL network and accordingly Circles have been asked to send the quarterly report on QOS parameters as prescribed under para A(i) to A(viii) by TRAI vide their letter no. 305-2/2005 (QoS) Vol.-II dated 1-7-2005.

Further the committee has recommended for monitoring of QOS norms on monthly basis, as compared to TRAI norms for its monitoring on Quarterly basis. In this regard it is submitted that collecting data on QOS parameters by field units across different types of CDMA WLL equipment is a cumbersome and time consuming activity because of which monthly reporting will be very difficult to implement. Hence, it is suggested to continue with the quarterly report instead of

monthly report. The norms prescribed by TRAI are also averaged over a three months period

BSNL has reviewed the coordination between customer care and operational wings and has taken following steps to put in place improvement to minimize delays, In attending to customer complaints and requests for additional facilities:-

- i) Area based restriction for customers to get any service have been removed and the customer can now avail services at any of the customer service center within the secondary switching area (SSA) irrespective of the exchange from which he is served.
- ii) In cases where the payment of bills for telephone lying disconnected (due to non payment) is made by the subscriber in cash or through a demand draft, advice note for restoration of telephone is sent to DE[ID] automatically by the system as soon as an entry regarding payment is made by the CSC staff without any human intervention thus minimizing the delays that used to occur earlier.
- iii) Earlier work order/advice note for provision or withdrawal of additional facility used to be issued by the Commercial Officer after submission of the application by the subscriber at the CSC counter which used to result in delays. The CSC staff has now been authorized to issue advice note/ work order for provision/withdrawal of additional facilities on the spot as soon as an application is received by him.
- iv) The instructions have been issued for issue of 08 for shift of telephone immediately on receipt of request by the CSC staff even if any amount is outstanding against the telephones. Any outstandings of the telephone at old station is settled subsequently.
- v) Instructions have been issued for issue of work order for change of tariff plan by the counter clerk himself immediately on receipt of an application from the customer on plain paper.
- vi) Instructions have also been issued for immediate provision/withdrawal of Centrex facility by the counter clerk himself on receipt of application from the customer without insisting on any pre-payment. Charges for the facility may be raised in the subsequent bill.
- vii) In case a Junior Accounts officer is posted at a customer service center, the JAO has been authorized to split the bill and order reconnection of telephone disconnected due to non-payment for less than three months cases. These powers were earlier vested in the AO [TR]. The rent for the intervening period has also been totally waived off in case of teleph6nes disconnected due to non-payment and the telephones is restored immediately on payment of outstanding bills.

- viii) CSC staff has been authorized to issue reconnection OB in case of telephones disconnected due to non-payment even in case of part payment by the subscriber provided the outstanding is less than twice the normal fixed monthly charges or Rs. 500/-, which ever is less.
- ix) Instruction have been issued to all the CGMs to procure the Scanner for each Commercial officer in the SSA so that signatures of all the applicants are captured and made available to the customer service centre staff for enabling him to attend to customers request on the spot.

This procedure has already been implemented in areas where integrated packages have been implemented. In other areas this procedure is being implemented gradually along with implementation of Integrated commercial & TRF package.

Recommendation No. 13

MONITORING BY CORPORATE OFFICE

The Committee note that as per the organizational set-up of BSNL, the administrative and overall functional control is vested in the Board of Directors headed by the Chairman and Managing Director. The telecommunication operations of the Company are managed by its 24 telecom Circles located in various States of the country and two telecom districts (Chennai and Kolkata) under the overall monitoring of the Corporate office. Each Circle contains many secondary switching areas (SSAs) whose monitoring is done by the respective circles. The audit in their report has pointed out many shortcomings and deficiencies concerning the monitoring role of the Corporate Office. The Audit has observed that despite instructions, 13 circles and the two Metro districts did not prepare separate costing records for the WLL telephone service. Most of the circles failed to make timely arrangements for sites, towers, power supply, etc, which led to delays in installation and commissioning of the WLL telephone systems. The corporate offices failure to monitor receipt of frequency allocations from the WPC Wing of the DoT resulted in operation of CorDect WLL telephone service in five circles and two Metro districts without mandatory Agreements in Principle. Even the detailed records in respect of Circle-wise and site-wise frequency allocations from WPC for the years 2000-01 to 2004-05 were not maintained at the Corporate Office. The Management failed to ensure the terms and conditions of the purchase orders by some Circles while releasing payments to the suppliers. Excess payments were released by some Circles in respect of Sales tax and subsequent revision of tender rates etc. The Audit has concluded that the Company failed to formulate proper strategies and detailed plans at the time of launching the WLL telephone service in 2000-01 and its subsequent expansions. The capacity remained grossly under-utilized both in rural and urban areas mainly on account of deficient planning; mismatches in the procurement of

WLL systems and terminals; poor network coverage and poor quality of service. The Company suffered financial losses due to inaccurate assessments of demand and requirement and selection of obsolete technologies.

The Committee observe that according to BSNL Circles were instructed from time to time to strictly follow the instructions and guidelines issued by the Corporate Office. The Company has also submitted that since the WLL was being deployed as a new technology for the first time in the rural areas, the Company realized the importance of monitoring of the whole process and due consideration was given to its whole implementation. It has been claimed by the Company that constant monitoring is being done at the highest level in the field units and at BSNL Corporate Office on monthly basis and the Circles are persuaded constantly to achieve the targets. Monthly reports are called for to monitor the achievement of each circle regarding provision of new connections in areas on demand including the WLL connection.

The Committee are not inclined to agree with this submission of the Company. The Committee note that the WLL Project was of huge magnitude involving large investments. However, the Committee are dismayed to note that as admitted by the Company there is no exclusive division in the Company to monitor its implementation. Despite the tall claims made by the Corporate Office regarding their strict monitoring of implementation of WLL Project, the Committee fail to understand as to why so many shortcomings and deficiencies were committed by the Circles as pointed out by the Audit in their findings. The Committee feel that there has been laxity on the part of the Corporate Office in enforcement of instructions issued by it from time to time by the Circles. It reflects that there is a lack of coordination between forward planning and demand assessment. The justification that BSNL follows function based and not product based organizational structure thus cannot be accepted. Keeping in view the fact that the WLL Project in the rural areas is being implemented by the Company by way of a social commitment of the Government and also since the Company is getting financial support from the Government in the form of USOF, the Committee strongly recommend that the Company should form an exclusive division at the level of Corporate Office to monitor it. In addition to this, the Committee recommend that the following actions are required to be taken by the Company: -

- (i) The Company should monitor the performance of the suppliers in carrying out their responsibility towards providing adequate and uninterrupted network coverage to avoid the risk of poor quality of service and losing its customer base.
- (ii) The Company should prescribe in advance the time schedules for the various activities to be undertaken by Circles for creation of necessary infrastructure.
- (iii) The Company should devise a monitoring mechanism for ensuring timely receipt of Agreements in Principle from the WPC wing for use of

- allotted frequencies and clearances of SACFA for sites for installation of wireless equipment.
- (iv) The Company should monitor the compliance of the terms and conditions of the purchase orders by its circles to avoid the risk of irregular payments.
 - (v) The Company should monitor the levy of prescribed liquidated damage charges by the circles on the suppliers to protect its financial interests.
 - (vi) The Company should ensure effective monitoring of outstanding revenue to avoid the risk of accumulation of revenue arrears.
 - (vii) There is an urgent need for the Company to improve planning and monitoring mechanism in respect of the WLL telephone service, besides improving procurement practices.
 - (viii) The system for billing, collection and accounting of revenue from the WLL telephone requires stricter monitoring.
 - (ix) The quality of service being provided needs further improvement through better network coverage and customer care.

Reply of the Government

Action taken by BSNL on recommendations of the committee

In accordance with recommendations of the committee following actions have been taken.

Exclusive Division for Monitoring the WLL Projects

In accordance with recommendations of the committee, BSNL has decided to post, one Joint DOG with two executives under DOG (SW) for monitoring of the WLL Projects. The copy of letter NO.12-8/2007-TE-1 dated 21.08.2007 issued by Establishment Section of BSNL in this regard. Point wise action taken on the additional points are given below.

- (i) BSNL is now carrying out the WLL network design using RF planning on its own for providing proper network coverage and better quality of services. The suppliers are required to supply, install and commission the equipment as per BSNL network planning.
- ii) The circles have been instructed to create the infrastructure in time. The monitoring of these activities have been strengthened. The circles have been instructed to have weekly meetings with suppliers and circle team for better co- ordination and monitor the progress. The corporate office has also / started weekly meeting with suppliers of ongoing WLL projects for smooth rollout and better co-ordination.

- iii) All the BSNL circles have already been allotted 2 CDMA carriers for each circle. The WPC has intimated that once a CDMA carrier frequency of the band is earmarked to a telecom service provider for a defined area, no further site Wise frequency assignment within a service area is necessary. Only site wise deployment plan are required to be submitted to WPC.

The WPC has also simplified SAFCA clearance procedure to improve the SACFA clearance. The copy of the latest guidelines are enclosed as Annexure -3 The SACFA clearance is also being monitored at corporate office.

(iv) & (v) : All the purchase orders issued from MM Cell of BSNL Corporate office have clear payment terms and provision of L.O. charges. The necessary instruction have been issued to all C.G.Ms. to constantly monitor the levy charges on defaulting supplies and release of PBGs to protect financial interest of BSNL.

- (vi) As WLL Service is a part of FIXed lines, several instructions are issued regularly to all the Heads of BSNL circles for prompt and correct billing and realization of billed revenue which is also applicable to WLL services. In addition MSC based CDMA WLL systems are being integrated with zonal Billing and Customer care system. This will enable BSNL to effectively monitor the outstanding revenue.
- (vii) In accordance with the recommendations of the committee, it has been decided that one Jt. DDG (WLL-Monitoring) and two executives of JTO/SDE/DET level be posted under DDG(SW) for monitoring of WLL projects. This will improve the monitoring of WLL Projects at corporate level.
- (viii) The company has prescribed a separate, format in monthly sub-ledger compilation programs for WLL (Fixed and mobile) separately for its age-wise details. As 334 SSAs in the entire BSNL and now necessary modifications in DOT Soft and Trichur Billing software have been made and being implemented in the circles /SSAs. Most of the circle have started giving information in the revised format. The circles are being pursued regularly to send the sub-ledger in the revised format for WLL services. Necessary modifications in the Sub-ledger complication programme have also been made.
- (ix) To improve the quality of service, more nos. of BTSs are being added to improve the network coverage. On an average 3 BTSs per SDCAs are being installed for this purpose. In addition, IS 95 based WLL equipments are being upgraded to MSC based CDMA, **2000 IX** equipment. The MSC based CDMA WLL equipment is being integrated with Zonal Billing and Customer care system which will further improve quality of service and customer care.

Recommendation No. 14

ROLE OF GOVERNMENT IN IMPLEMENTATION OF WLL PROJECT

The Committee understand that the New Telecom Policy (NTP-99) envisaged telephones on demand and covering all uncovered villages in the country with telephone by the end of the year 2002. In pursuance of NTP-99, the Government corporatised the Service Provision Function of DoT to set up BSNL on 1st October, 2000. To ensure that viability of BSNL is not impaired on account of carrying out this social commitment of the Government in providing services which are uneconomical but socially desirable, the BSNL is getting a package of relief measures including financial support from the government in the form of Universal Service Obligation Fund(USOF). In view of this, the Committee are of the opinion that though the BSNL is a Corporate body, it is answerable to the Government in respect of carrying its social commitment. Similarly, it was expected of the Government to ensure that the social commitment as envisaged in NTP-99 is being adequately carried out by the Company.

The Committee are, however, constrained to observe that the government has miserably failed in its monitoring role in ensuring that the goals set out in NTP-99 are achieved by the BSNL in a time bound manner. The targets required to be achieved by the end of the year 2002 have not been fully met even as on date and also the service provided is not upto the mark. Providing telephone connectivity in the rural areas and far-flung areas of the country is an issue of national importance. As such, a duty was cast upon the government to seriously monitor its implementation by the implementing agency namely the BSNL. Unfortunately, no information has been brought by the government to the notice of the Committee which may indicate that any serious efforts were made by them to ensure that the targets were achieved by the BSNL within the stipulated time. Instead, the government has chosen to absolve itself of its responsibility by taking the stand that BSNL being a Board managed Company, it frames its own guidelines and execution strategy in such matters. Though this stand might be true for the other commercial activities of the BSNL, it is not at all acceptable to the Committee as far as this social commitment is concerned. The Committee therefore strongly recommend that the government must evolve a suitable monitoring mechanism to ensure implementation of the objectives set out in NTP-99 by the BSNL in a time bound manner and also fixing their accountability in the case of lapses by suitably penalizing the agencies concerned. The government must review the progress of BSNL at the highest level with respect to the rural telephony on monthly basis and issue the appropriate directives wherever needed. Besides verifying that the quality of service in rural areas is upto the mark, the Government must also ensure that the funds being given to BSNL under USOF are properly utilized and case of losses on Infructuous accounts, responsibility must be fixed on the officials concerned. The committee also find that inadequacy of electricity supply in a number of rural areas is also adversely affecting the operation of WLL based telephony. The Committee desire

that this issue be adequately addressed by the Government in a realistic manner by coming out with plans like using solar energy or some other non-conventional sources of energy in consultation with the agencies concerned. The Committee stress that the important issue of providing telephone coverage to the entire country particularly in rural and far-flung areas should take precedence over the other commercial interests of service providers by implementing this project of national importance on top priority. In a liberalized environment of fierce competition in the Telecom Sector the prime goal of private operators is to earn profit and not to fulfil the social obligation of rural connectivity. In such a scenario, the Committee feel that government intervention is absolutely necessary. The Committee, therefore, desire that Government should adequately support the public sector telecom Companies to fulfil this social obligation of telephone connectivity in rural areas.

Reply of the Government

- (i) The performance of BSNL in implementation USOF assisted activities is being reviewed on a regular basis by the Secretary Telecom. During the period 1.3.06 to 31.3.07, seven numbers of meetings have been held. The decisions taken in the meetings are reviewed. The Committee's recommendations regarding use of solar energy for rural telephony have been noted. The requirement of power for the rural infrastructure site is of such magnitude that use of solar power is ruled out. With changes in technology, use of non-conventional energy may become possible and such avenues will definitely be explored.
- (ii) Under USOF, disbursement of funds to the eligible service providers is through a multi-layered bidding process on the basis of least quoted subsidy. The benchmark for this purpose is determined on the basis of fully associated current costs for providing access for the facilities covered under the Rules. The existing Basic Service Operators (BSOs), Cellular Mobile Service Operators (CMSPs) and Universal Access Service Licensees (UASLs) including both PSUs and private service operators are eligible to get subsidy support from the USO fund.
- (iii) Bids have been invited for all the activities undertaken by USO fund except for rural lines installed prior to 1.4.02. Incidentally, BSNL has emerged as the sole or one of the successful bidders in all the USF activities undertaken by USO fund so far. The amount disbursed from USO fund to various phone companies during the last five years as on 31.3.07 is given below which clearly indicates that more than 90% of the amount disbursed from USO fund has gone to BSNL as a result of them being successful service provider in the bidding process:

Name of Universal Service Provider	Subsidy disbursed (Rs. In crores)
Bharat Sanchar Nigam Limited	4649.825

Reliance Infocomm Ltd.	212.36
Tata Tele Services Ltd.	146.84
Tata Teleservices (Maharashtra) Ltd.	71.26
Bharti Infotel Ltd	0.44
HFCL	0.16
Shyam Telelink Ltd.	0.55
Total	5081.435

- (iv) However, a trend can be discerned in which private companies are now showing greater interest in rural telephony schemes. It will be the endeavour to meet the needs of the rural areas with the active participation of all service providers.

Department of Telecommunications
O.M. No. 58-159/2006-SU-IV dated 28.03.2008

New Delhi:
24 April, 2008
4 Vaishakha, 1930(S)

RUPCHAND PAL,
Chairman,
Committee on Public Undertakings

MINUTES OF THE 22nd SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 24th APRIL, 2008

The Committee sat from 1630 hours to 1730 hours.

PRESENT

Chairman

Shri Rupchand Pal

Members, Lok Sabha

- | | |
|---|--------------------------------|
| 2 | Shri Ramdas Bandu Athawale |
| 3 | Smt. Sangeeta Kumari Singh Deo |
| 4 | Shri Francis K. George |
| 5 | Shri Kashiram Rana |
| 6 | Shri Ram Kripal Yadav |

Members, Rajya Sabha

- | | |
|---|---------------------|
| 7 | Shri Mahendra Mohan |
|---|---------------------|

Secretariat

- | | | |
|---|------------------|----------------------|
| 1 | Shri S.K. Sharma | Additional Secretary |
| 2 | Shri J.P. Sharma | Joint Secretary |
| 3 | Smt. Anita Jain | Director |
| 4 | Shri N. S. Hooda | Deputy Secretary |
| 5 | Shri Ajay Kumar | Deputy Secretary-II |

Office of the Comptroller & Auditor General of India

- | | | |
|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| | Shri J.N. Gupta | Director General of Audit |
| 2. | XXXXXXX | XXXXXXX |
| 3. | Thereafter, the Committee considered the two other draft reports on the following subjects and adopted the same without modifications: | |
| (i) | XXXXXXX | XXXXXXX |
| (ii) | Action Taken Report on Twentieth Report (14 th Lok Sabha) of the Committee on Public Undertakings (2006-07) on Performance Audit of WLL Services provided by BSNL based on C&AG Report No. 9 (Commercial) of 2006. | |

4. The Committee authorized the Chairman to finalize the Report for presentation.

5. The Committee thereafter, took up for consideration the issue of discontinuing the practice of laying of Study Tour Reports of COPU in Parliament and passed the following Resolution:

“The Committee on Public Undertakings (2007-08) do hereby resolve to discontinue the practice of laying of study tour reports in Parliament which was initiated during 13th Lok Sabha (2000-01) as per procedure adopted under Rule 281 of the Rules of Procedure and Conduct of Business in Lok Sabha. However, the Committee, like other Parliamentary Committees will continue to prepare the tour notes and utilize the same in preparation of their main reports.”

6. The Committee then adjourned.

APPENDIX II

(Vide para 3 of the Introduction)

Analysis of the Action Taken by Government on the recommendations/observations contained in the Twentieth Report of the Committee on Public Undertakings (Fourteenth Lok Sabha) on "Performance Audit of WLL Services provided by BSNL".

I	Total number of recommendations	14
II	Recommendations that have been accepted by the Government [vide recommendations at Sl. Nos. 1 to 14	
	Percentage of total	100 %
III	Recommendation which the Committee do not desire to pursue in view of Governments replies [vide recommendation.	-Nil-
IV	Recommendations in respect of which replies of the Government have not been accepted by the Committee (vide recommendations).	-Nil-
V	Recommendations in respect of which final replies of Government are still awaited.	-Nil-