

**12**

**STANDING COMMITTEE ON  
INFORMATION TECHNOLOGY  
(2009-2010)**

**FIFTEENTH LOK SABHA**

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

[Action Taken by the Government on the Recommendations/ Observations of the  
Committee contained in their Fourth Report (Fifteenth Lok Sabha) on  
Demands for Grants (2009-10)]

**TWELFTH REPORT**



**LOK SABHA SECRETARIAT**

**NEW DELHI**

*May, 2010/ Vaisakha, 1932 (Saka)*

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(DEPARTMENT OF TELECOMMUNICATIONS)**

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Demands for Grants (2009-10)]

***Presented to Lok Sabha on \_\_\_\_\_***

***Laid in Rajya Sabha on \_\_\_\_\_***



**LOK SABHA SECRETARIAT**

**NEW DELHI**

*May, 2010/ Vaisakha, 1932 (Saka)*

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\*Not included in the cyclostyled copy of the Report.

**COMPOSITION OF THE  
STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2009-2010)**

**Shri Rao Inderjit Singh - Chairman**

**Lok Sabha**

2. Shri Rajendra Agrawal
3. Shri Nikhil Kumar Choudhary
4. Shri Milind Deora
- \*5. Shri Charles Dias
6. Shri Rajen Gohain
7. Smt. Darshana Jardosh
8. Shri Mithilesh Kumar
- \*\*9. Shri Sadashivrao Dadoba Mandlik
10. Shri Inder Singh Namdhari
11. Shri Abdul Rahman
12. Shri Prem Das Rai
- #13. Shri Tufani Saroj
14. Shri Tathagata Satpathy
15. Shri Adhalrao Patil Shivaji
16. Dr. Bholu Singh
17. Shri Dhananjay Singh
18. Shri Sushil Kumar Singh
19. Shri C. Sivasami
20. Smt. M. Vijaya Shanthi
21. Shri Dharmendra Yadav

**Rajya Sabha**

22. Prof. Alka Balram Kshatriya
- @23. Vacant
24. Shri Jesudas Seelam
25. Shri Ravi Shankar Prasad
26. Shri Prabhat Jha
27. Shri P. Rajeeve
28. Shri Shriram Pal
29. Shri N.R. Govindarajar
30. Shri M.P. Achuthan
31. Shri Rajkumar Dhoot

**SECRETARIAT**

1. Shri T.K. Mukherjee - Joint Secretary
2. Smt. Sudesh Luthra - Director

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\*\* Nominated to Committee w.e.f. 10<sup>th</sup> September, 2009.

# Nominated to Committee w.e.f. 13<sup>th</sup> October, 2009.

\* Nominated to Committee w.e.f. 19<sup>th</sup> November, 2009.

@ Consequent upon retirement of Shri Dharampal Sabharwal from Rajya Sabha w.e.f. 9<sup>th</sup> April, 2010.

## **INTRODUCTION**

I, the Chairman, Standing Committee on Information Technology (2009-10) having been authorized by the Committee to submit the Report on their behalf, present this Twelfth Report on Action Taken by the Government on the Recommendations/Observations of the Committee contained in their Fourth Report (Fifteenth Lok Sabha) on 'Demands for Grants (2009-10)' of the Ministry of Communications and Information Technology (Department of Telecommunications).

2. The Fourth Report was presented to Lok Sabha on 17 December, 2009 and laid on the Table of Rajya Sabha on the same day. The Ministry of Communications and Information Technology (Department of Telecommunications) furnished their Action Taken Notes on 10 March, 2010.

3. The Report was considered and adopted by the Committee at their sitting held on 4<sup>th</sup> May, 2010.

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

5. An analysis of Action Taken by the Government on the Recommendations/Observations contained in their Fourth Report (Fifteenth Lok Sabha) of the Committee is given at *Annexure*.

**New Delhi  
May, 2010  
Vaisakha, 1932 (Saka)**

**RAO INDERJIT SINGH  
Chairman  
Standing Committee on  
Information Technology**

## REPORT

### CHAPTER I

This Report of the Standing Committee on Information Technology deals with the action taken by the Government on the Recommendations/Observations of the Committee contained in their Fourth Report (Fifteenth Lok Sabha) on Demands for Grants (2009-10) pertaining to the Ministry of Communications and Information Technology (Department of Telecommunications).

2. The Fourth Report was presented to Lok Sabha on 17 December, 2009 and laid on the Table of Rajya Sabha on the same day. It contained 41 Recommendations/Observations..

3. Action Taken Notes in respect of all the Recommendations/Observations contained in the Report have been received from the Ministry of Communications and Information Technology (Department of Telecommunications) and these have been categorized as under:

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

Para Nos:- 1, 2, 5, 7, 8, 9, 12, 13, 14, 15, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 30, 31, 32, 36, 37, 39 and 41

Total 28

Chapter II

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

Para No:- 6 & 38

Total 02

Chapter III

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

Para Nos:- 3, 4, 10, 11, 16, 28, 29, 33, 34 & 35

Total 10

- (iv) Recommendation/Observation in respect of which reply is of interim nature:-

Para No:- 40

Total 01

Chapter V

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

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

**A. DoT BUDGET**

**(i) Under Utilisation of Outlays (Gross Budgetary Support (GBS) + Internal and Extra Budgetary Resources (IEBR)]**

**Recommendation (Para Nos. 3 & 4)**

6. While noting the under utilisation of Outlays both for GBS and IEER during the first three years of Eleventh Plan upto July, 2010, the Committee had observed that there is an urgent need to review the situation and adopt scientific planning and management techniques, so that the other important projects do not starve for resources due to the inefficiency of the PSUs to project realistically and spend the Outlays effectively. Therefore, the Committee had emphasized that the Department should take all necessary steps to correct the situation and the Committee be apprised of the concrete action taken accordingly.

7. The Department in their Action Taken Note have *inter-alia* stated as under:-

“Due care has been taken that the projections are done optimally so as to ensure a robust & secure telecom network in the country. Since the major part of the plan outlay is on account of the telecom PSUs which operate in a highly competitive sector necessitating frequent reworking of strategies in consonance with the market conditions, mid-course

corrections are inevitable. Strict monitoring is being done to ensure that the units are able to achieve the targets set forth in the Eleventh Plan and also in the Annual Plan 2009-10.”

**8. The Committee regret to note that the Department have not addressed to the issue raised by them regarding adopting of scientific planning and management techniques to arrest the ongoing trend of under-utilisation of Outlays by the Department and the Public Sector Undertakings under them. They have merely stated that strict monitoring is being done so as to able to achieve the target set forth in the Eleventh Plan and in the Annual Plan 2009-10. The Committee are not convinced with the justification given by the Department regarding the inevitability of mid-course corrections in the Plan Outlays, as the PSUs have to rework their strategies in accordance with the market conditions. Therefore, the Committee once again emphasize the need for reviewing the situation and adopt scientific planning and management techniques to ensure realistic projections and arrest the trend of under utilisation of Outlays. The Committee would like to be apprised about the precise action taken in this regard.**

**B. OFC based Network for Defence Services**

**Recommendation (Para No. 5)**

9. While pointing out the significance of the projects viz. the project of laying of Undersea Cable between Mainland and Andaman and Nicobar Islands and OFC based Network for Defence Services relating to Network of Air Force, the Committee had emphasized for expeditious completion of both the projects and especially the OFC network, so that additional spectrum is released by the Defence to give an impetus for network expansion and also for providing quality services to the customers. In this regard, the Committee suggested that the position of requirement of Outlays should be reviewed at the Revised Estimates stage and the additional requirement of Outlays, if any, should be met urgently so that the projects do not suffer for want of resources.

10. The Department in their Action Taken Note have *inter-alia* stated as under:-

“Undersea Cable between Mainland and Andaman and Nicobar Islands : The scheme 'Undersea cabling between Mainland and A&N Islands' (UMA&N) is to be executed by M/s Millennium Telecom Limited, a joint venture of Bharat Sanchar Nigam Limited and Mahanagar Telephone Nigam Limited, under Budgetary Support. The estimated cost of the scheme is Rs. 522.06 crore. Detailed Project Report (DPR) of the scheme for Rs. 522.06 crore has already been approved by Full Telecom Commission and the Note for Cabinet Committee on Economic Affairs (CCEA) is under inter ministerial consultation. The execution of this spur route cable is linked to the execution of main submarine cable, which



MTNL has proposed to lay from the East Coast of India (Digha in West Bengal) to South East Asia (Singapore). The financial bids for the scheme is under finalization by the MTL board and the work will be awarded after the finalization of financial bid. Out of total cost of Rs. 522.06 crore, Planning Commission has already earmarked Rs. 181 crore from the available budget of 11th Five Year Plan of DoT. For remaining amount, the Planning Commission has requested the Ministry of Finance for additional support.

OFC based Network for Defence Services relating to Network of Air Force

- i) Telecom Commission in its meeting held on 7th December, 2007 has already accorded financial approval of Rs. 1077.16 crore for the Air Force component of the project. The project is under implementation by BSNL. According to the latest status report received from BSNL, the project is planned to be completed during 2009-10.
- ii) The Army and Navy component of the Project with an estimated cost of Rs. 8893 crore (estimate submitted by BSNL) has been examined by an inter ministerial Group which has submitted its report on 16.11.2009.
- iii) The Full Telecom Commission in its meeting held on 23rd November, 2009 approved the proposal of laying of alternate communication network for Defence Services for release of spectrum, at the cost of Rs. 9175.16 crore as given below:

Particulars	Cost
Total cost of OFC for Army and Navy Net Work	Rs. 8098 crore
Total cost of OFC for Air Force Network	Rs. 1077.16 crore

- iv) A note was submitted seeking approval of Cabinet Committee on Infrastructure (CCI) on the following proposals:-
  - Approval of setting of an alternate exclusive, dedicated OFC based Communication network for Defence Services for release of Spectrum.
  - Financial approval of Rs. 9175.16 crore (Rs. 1077-16 crore for Air Force and Rs. 8098.00 crore for Army and Navy) for laying of alternate communication network for Defence Services in a period of 36 months and approved budgeting of the same in the budget of DoT.
  - The asset created will belong to DoT during the currency of the project and after completion of the Project these assets will be transferred to Ministry of Defence as book transfer.

The Cabinet Committee on Infrastructure (CCI) in its meeting held on 3rd December, 2009 approved the above proposal.

- v) The Planning Commission has allocated an amount of Rs. 720 crore until end of financial year 2008-09 in the 11th Plan and the same has been reimbursed by DoT to BSNL for the expenditure incurred by BSNL for the Air Force OFC Network project. An outlay of Rs. 26 crore has already been provisioned in the financial year 2009-10 under Budget Estimate and fresh request of Rs. 357 crore has already been sent to the budget section under Revised Estimate in the current financial year.

The position of projects (i) Undersea Cable between Mainland and Andaman and Nicobar Islands and (ii) OFC based Network for Defence Services relating to Network of Air force have been reviewed at RE stage and these projects will not suffer for want of resources.

- i) Telecom Commission in its meeting held on 7th December, 2007 has already corded financial approval of Rs. 1077.16 crore for the Air Force component of the Project. The project is under implementation by BSNL. According to the latest status report received from BSNL, the project is planned to be completed during 2009-10.
- ii) The Army and Navy component of the Project with an estimated cost of Rs. 8893 crore (estimate submitted by BSNL) has been examined by an Inter ministerial Group which has submitted its report on 16.11.2009.

The Full Telecom Commission in its meeting held on 23 November 2009 approved the proposal of laying of alternate communication network for Defence Service for release of spectrum, subject to the following revision in cost:-

**(Rs. in Crore)**

Particulars	Cost
Total Cost of OFC for Army & Navy Network	8098.00
Total Cost of OFC for Air Force Network	1077.16
<b>Total</b>	<b>9175.16</b>

A note was submitted seeking approval of Cabinet Committee on Infrastructure (CCI) on the following proposals: (i) Approval of setting up of an alternate exclusive, dedicated OFC based communication network for Defence services for release of spectrum and (ii) Financial approval of Rs. 9175.16 crore (Rs. 1077.16 crore for Air Force and Rs. 8098.00 crore for Army and Navy) for laying of alternate communication network for Defence Services in a period of 36 months and approved budgeting of the same in budget of DoT.

The Cabinet Committee on Infrastructure (CCI) in its meeting held on 3rd December, 2009 approved the above proposal.

- (iii) The Planning Commission has allocated an amount of Rs. 720 crore until the end of financial year 2008-09 in the 11th Plan and the same has been reimbursed by DoT to BSNL for the expenditure incurred by BSNL for the Air Force OFC Network project. An outlay of Rs. 26 crore was provisioned in BE 2009-10 and Rs.211.85 crore has been allocated under RE 2009-10. As per the status received from BSNL, the time line for implementation of the Army and Navy Network is estimated at three years, for which the tenders will be finalized by August, 2010 and implemented by December, 2012.”

11. The Committee appreciate the development and the progress made in the two projects viz. Undersea Cable between Mainland and Andaman and Nicobar Islands and OFC based Network for Defence Services. However, the Committee wonder as to why the total cost of OFC for Air Force Network has exceeded by Rs. 25.84 crore i.e. the projected total cost is Rs. 1077.16 crore whereas the total allocation made during 2007-08, 2008-09 and 2009-10 is Rs. 1103 crore. Further, there is discrepancy in the data with regard to Outlay provided at RE stage during 2009-10. At one place it is mentioned as Rs. 357 crore and in the same reply (Page 9 of ATNs) it is mentioned as Rs. 211.85 crore. The Department may clarify the correct data as well as justification for providing more than the projected Outlay for the scheme.

**C. IMPLEMENTATION OF NATIONAL E-GOVERNANCE PLAN**

**Recommendation (Para No. 10)**

12. The Committee felt that BSNL being the public sector service provider has immense responsibility particularly in the difficult areas comprising of remote and rural areas. The Committee noted that to implement the NeGP, action had been taken up for deployment of Wi-MAX/VSAT in the villages and had recommended that the Department should take up the matter with BSNL on a priority basis so that various components of NeGP do not face the problem for want of connectivity.

13. The Department in their Action Taken Note have submitted as under:-

“BSNL is executing many programmes of e-governance of the government of India under various ministries like connectivity of all colleges and universities under National Mission for Education-a project of Ministry of HRD, connecting CGHS dispensaries and primary health centers under Ministry of Health, providing connectivity to RTO offices across various states etc. BSNL is executing two projects under Department of Information Technology. The details are as follows (i) Common Service Center project : This is a project wherein BSNL was entrusted with the responsibility of providing Broadband coverage to around 1 lakh CSCs to be established across various States. Individual State Governments were entrusted with the responsibility of selecting Service Centre Agents who are supposed to establish the Common Services Centers in the rural areas. The ratio comes to almost one CSC per 5-6 villages. BSNL has committed to provide coverage to almost 94000 CSCs. The Status Report as on 20/2/2010 are as follows:

S.No.	Technology	CSCs Planned	CSCs covered
1	ADSL2+	30217	27895

2	Wi-MAX	62151	5061
3	EVDO	2078	671
4	DSPT	524	2
<b>Total</b>		<b>94970</b>	<b>33629</b>

Total number of CSCs under various technologies may change slightly, once commissioning of Wi-MAX progresses.

Funding : The project has been funded by DIT to the tune of 50 per cent of the cost of equipment of ADSL2+ & Wi-MAX. The details are as follows: i. ADSL2+ : Total Investment - Rs. 340 Crores, Funds Committed- Rs. 170 Crores, Funds Received - Rs. 170 Crores (ii) Wi-Max – Phase I : Total Investment - Rs. 365 Crores, Funds Committed - Rs. 160 Crores, Funds Received - Rs. 160 Crores (iii) Wi-Max – Phase II : Total Investment - Rs 1415 Crores (Est.), Funds Committed - Rs 550 Crores , Funds Received - Rs 226.70 Crores. Additionally an amount of Rs 92.257 Crore has been sanctioned by DIT to various states for BSNL’s connectivity for CSCs. SWAN Project : This again is a DIT’s project wherein wide area networks are being established in 33 States and UTs. SWAN is planned as a converged network system for voice, video and data communication across a particular state/ UT and is planned to cater to the information & communication requirement of various government offices. Through SWAN, about 7500 Points-of-presence are being created. All state HQs, District HQs and block/taluka HQs are to be connected to these POPs. In SWAN, all the block Head Quarters and Tehsil HQs shall be connected to District HQs which in turn shall be connected to the State HQ through optical fiber network. This will enable data, voice and video communication between Government offices anywhere in the State. For this purpose, one Point of Presence (POP) is to be established in each Block/Tehsil/District HQ where the necessary equipments are to be installed. The Horizontal offices shall be connected to these POPs through wireless or wired line connections. Every POP will have UPS and Generator for power backup. A minimum bandwidth of 2 Mbps shall be provided at each Block HQ which will be scaleable in future. Once, the SWAN is established all the Government departments will not be required to establish individual Wide Area Networks. The implementation of the SWAN Project will improve the communication between Government to Government and Government to Citizens (G2C) and reduce the cost of communication substantially. BSNL is the preferred bandwidth service provider for this project. The circuits are being provided by BSNL at concessional rates agreed upon with DIT. A large number of leased circuits have been provided by BSNL for SWAN and as it is an ongoing project so far, various circuits are given as soon as state governments book the same. Status of BSNL’s Broadband Equipment : (i) Wired-Line Broadband: BSNL is vigorously pursuing the matter of Broadband coverage up to the village- panchayat level across the country. The coverage so far has been as follows:

S.No.	Name of Administrative unit	Total Number of Administrative units	Units feasible on wired line Broadband
1	District Head Quarters	624	618

2	Tehsil HQ	3254	3020
3	Block HQ	6422	5446
4	Village Panchayats	242279	79924

(ii) Wi-MAX : BSNL is going in a big way for wide-scale deployment of Wi-MAX equipment across various circles.

Rural:

Project	Total BTSs ordered	Total BTSs integrated	Remarks
Phase I	1000	507	Likely to be completed by March 2010
Phase II	6863	Nil	APO issued. P.O. is likely soon

Urban: BSNL is installing Wi-MAX equipment in urban areas of Kerala & Punjab. Total 1600 BTSs are to be commissioned out of which P.O for 800 BTSs is released.

Circle	Total BTSs ordered	Total BTSs integrated
Kerala	450	52
Punjab	350	210

For 3 circles, namely, A.P., Gujarat & Maharashtra, BSNL has entered into franchisee agreement with M/s Soma Networks. Here, no. of BTSs are not fixed, rather umbrella coverage of the circles are to be ensured by the franchisee.

Circle	Total BTSs integrated
A.P.	25
Gujarat	33
Maharashtra	25

Total BTSs installed in these states are 83 for providing umbrella coverage. or another 16 circles, BSNL is processing EOI for franchisee revenue-sharing arrangement for Wi-MAX deployment in urban areas.”

14. The Committee have taken note of the reply of the Department wherein it has been stated that BSNL is executing two projects viz. Common Service Centre and SWAN Projects under Department of Information Technology to implement the NeGP. However, they are disappointed to note that in both the projects the required physical targets have shown poor achievements. This is substantiated by the fact that as on February, 2010, the number of CSCs covered has been only 33629 out of the stipulated target of 94970 CSCs i.e. only 34.1 per cent achievement. In case of SWAN project, the achievement has been miserable both in rural and urban areas. In rural areas during the Phase-I, the achievement was to the tune of 50 per cent whereas in Phase-II, the achievement has been stated to be nil. In urban areas too, there has been mismatch between total BTSs ordered and total BTSs integrated. This gives an indication that the concern put forward by the Committee have not been addressed adequately to take the scheme forward to ensure effective implementation of NeGP especially in the rural and remote areas. Therefore, the Committee would like the Department to examine the reasons therefor and take appropriate measures to ensure successful implementation of both the projects and the Committee be informed about the steps taken by BSNL accordingly.

**D. UNIVERSAL SERVICE OBLIGATION FUND (USOF)**

**Financial Allocation for various USOF Activities to commensurate with the collections made under Universal Service Levy (USL)**

**Recommendation (Para No. 11)**

15. The Committee while taking note of the fact that various important activities are being taken up with the USO fund, viz. VPTs, Share Infrastructure Mobile Service Schemes, Operational sustainability of Wireline Network, Wire Line Broadband connectivity in rural and remote areas, Creation of general infrastructure for the development of telecom facilities - Optical Fibre Connectivity, Pilot Projects for induction of new technological developments in telecom sector etc., had recommended that the allocation should commensurate with the collections made under USL. They had also asked the Department that the concerns of the Committee should be duly communicated to the Ministry of Finance/Planning Commission.

16. The Department in their Action Taken Note have inter-alia stated as under:-

“The Universal Service Obligation (USO) fund had taken up the case of Budget allotment of Rs. 3000 crore through Budget branch of DoT in BE 2009-10. However, an allotment of funds of Rs. 2400 crore only was received from Ministry of Finance (MoF) against this demand. The matter was accordingly taken up with Hon'ble Minister of Finance by Hon'ble Ministry of Communications and Information Technology in June, 2009. In RE 2009-10, the demand of Rs. 3000 crore was again projected to MoF, USOF's requirement of funds to the tune of Rs. 3000 crore was also emphasized by the Department during the pre-budget discussions held in the MoF. However, even in RE, there is no change in the funds allotted by MoF at the BE stage i.e. Rs. 2400 crore as against the projection of Rs. 3000 crore to meet out the funds requirements of various USOF activities. “

**17. The Committee had emphasized that the allocation made under the USO activities should commensurate to the collections made through Universal Service Levy i.e. the permanent source of funding to USO activities particularly when important activities relating to broadband and telephone connections in rural and remote areas are being undertaken with the USO Fund. The Committee had also desired that the concern of the Committee in this regard should duly be communicated to the Ministry of Finance. Instead of approaching to the Ministry of Finance with the backing of the Committee, the Department have merely indicated the outcome of the efforts made by them to get the adequate allocation for USO activities on earlier occasions. The Committee disapprove the way the Department have taken the recommendations. The Committee, therefore, like to reiterate their earlier recommendation to convey their concern to the Ministry of Finance and apprise the Committee about the outcome in this regard.**

**E. BHARAT NIRMAN PROGRAMME**

**(i) Feedback from the rural populace regarding Rural Community Phones**

**Recommendation (Para No. 16)**

18. The Committee had opined that there is an urgent need to get the feedback from the actual users i.e. the rural populace regarding Rural Community Phones (RCPs). They had felt a need for proper coordination with the local bodies while implementing the scheme. The Committee, therefore, had emphasized that the initiatives on the suggested lines be taken up and the Committee be apprised accordingly.

19. The Department in their Action Taken Note have inter-alia stated as under:-

“The Controllers’ of Communication Accounts (CCAs) i.e. field units of the Department check the claims thoroughly as per the terms and conditions of the Agreement and subsequent clarifications issued from time-to-time before the funds are disbursed to the Service Providers. The type of service being provided, customer application form, the tariff being charged, billing data, fault status etc. are verified from the claims submitted by the Service Providers. The subsidy is disbursed after checking the performance of the services rendered by USPs and making deductions from subsidy thereof. Regular inspections are carried out by the office of CCAs in their field visits to verify the availability, assess the performance & other maintenance related aspects of RCPs being provided by USO Fund. During the inspections, the CCAs interact with the custodian of the RCP and the actual users to take their feedback on the proper functioning of the RCPs.”

**20. The Department have not responded to the part recommendation of the Committee i.e. to have proper coordination with the local bodies on the issue of maintenance of Rural Community Phones (RCPs). The Committee again emphasize that local bodies can play an important role in the implementation of the various projects particularly in the rural areas. Moreover, the local bodies can be the best mechanism to know the feedback of the actual users of RCPs. While reiterating their earlier recommendations, the Committee would like the Department to take the concrete action and inform the Committee accordingly.**

**F. BHARAT SANCHAR NIGAM LIMITED (BSNL)**

**(i) Advance planning for achieving the stipulated financial target by BSNL**

**Recommendation (Para No. 28)**

21. The Committee in their earlier Report had opined that the underutilization of Outlay is mainly on account of unrealistic assessment and projection on the part of the BSNL. Therefore, they had recommended that the BSNL should set realistic and achievable financial targets based upon the requirements and market conditions. Further, they had also emphasized that the procurement system should be effective and BSNL should plan in advance to fulfill its financial targets.

22. The Department in their Action Taken Note have inter-alia stated as under:-

“Financial Performance contained in the above Para have been examined with following observations (i) Projected financial target for BSNL during Tenth Plan period was Rs. 64,889 Crore and thereby expenditure works out to 59.66% only, (ii) Projected outlay for BSNL during Eleventh Plan period is Rs. 80,610 Crore and (iii) During 2009-10, the actual expenditure upto December, 2009 is Rs. 7687.65 Crore against outlay of Rs. 14015 Crore which works out to 54.85% of BE/ RE. As most of the payment against the supply of equipment is made in the 4th quarter, it is anticipated that the financial target for 2009-10 shall be achieved.”



23. The Committee while taking note of the fact that under-spending is the persistent problem with BSNL had emphasized to set realistic targets as well as to make the procurement system effective. Instead of taking the concrete action, the Department in the action taken note has tried to justify the under-utilization of outlay by BSNL even when the utilization during the year 2009-10 was only 54.85 per cent upto December, 2009. Not only that, the Department has shown the optimism that financial target during 2009-10 would be achieved. In this regard, the Committee during the course of examination of Demands for Grants 2010-11 have been apprised (refer page 151 of written replies) that the expenditure position upto January was 59.63 per cent which means that during one month only 4.78 per cent of outlay could be utilized. The Committee have their doubts about the utilization of 100 per cent outlay with the existing pace of expenditure as reported to the Committee in the action taken note as well as during the course of examination of Demands for Grants 2010-11. The Committee disapprove the way the Department has tried to support the under-spending of outlay by BSNL. The Committee while reiterating their earlier recommendation would like to emphasize that urgent steps should be taken to streamline the procurement system. Besides all the steps should be taken to do the advance planning as well as setting the realistic and achievable targets. The concrete actions in this regard should be taken and the Committee apprised accordingly.

(ii) **Achievement of physical target by BSNL**

**Recommendation (Para No. 29)**

24. The Committee while noting the under achievement of physical targets by BSNL had recommended that the service provider should have a threadbare analysis of the past performance and also look into the impediments seriously to achieve the set physical targets during the remaining period of the Eleventh Plan and 2009-10 in particular.

25. The Department in their Action Taken Note have *inter-alia* stated as under:-

“Cellular mobile: The target, achievement upto 31.12.2009 and anticipated for 2009-10 in respect of important parameters is as follows:-

S. No.	Item	Unit of measurement	Target RE 2009-10	Actual Achievement 2009-10 upto 31.12.2009	Expected Achievement during

					2009-10
1	Telephone connections	Lakh connections	165	94.66	165
1(a)	Wire line	Lakh connections	-15	-12.50	-15
1(b)	WLL	Lakh connections		1.98	
1(c)	Mobile	Lakh connections	180	105.19	180

S. No.	Item	Unit of measurement	Target RE 2009-10	Actual Achievement 2009-10 upto 31.12.2009	Expected Achievement during 2009-10
2	Broadband connections	Lakh connections	25	11.73	25
3	TAX	KC	1,000	3	1,000
4	OFC	RKM's	25,000	22,756	25,000

Thus, it is anticipated that most of the targets set for 2009-10 are likely to be achieved.”

26. From the information furnished by the Department, the Committee note that the achievement of physical targets in all the schemes carried out by BSNL during the period 2009-10 has been very poor. Further, the Committee also note with disappointment that the issue regarding the threadbare analysis of the past performance of BSNL has cryptically remained silent. The Committee fail to understand as to why their concern has not been given due importance. They are of the opinion that if the Department had adhered to their suggestion, the findings of threadbare analysis of the past performance of BSNL could have borne the fruit of being a guiding force in ensuring better performance of BSNL for optimal achievement of physical targets. Therefore, the Committee reiterate their earlier recommendation and expect the Department to act on the line suggested by them accordingly.

**(iii) Adequate measures for provision of landline and mobile phones by BSNL**

**Recommendation (Para No. 33)**

27. Taking into account that as many as 2,23,238 and 54,958 people were in the queue to get landline phones and WLL phones respectively, the Committee had desired that BSNL should intensify its

measures for providing both landline and mobile telephones on demand all over the country at the earliest.

28. The Department in their Action Taken Note have *inter-alia* stated as under:-

“BSNL does not have waiting list in GSM mobile connections as on 31.12.2009 and GSM connections are being provided on demand. The status of waiting list for land line & WLL connections is given below:-

S.No.	Waiting List	Wire line	WLL
1	Waiting list as on 31.03.2009	2,23,238	54,958
2	Reduction in waiting list (prior to 31.03.2009) at the end of December 2009	1,90,149	47,393
3	Pending waiting list registered prior to 31.03.2009 at the end of December 2009	33,089	7,565
4	Pending waiting list generated during 2009-10 (01.04.09 to 31.12.09)	82,316	20,584
5	Pending waiting list as on 30.09.2009	1,15,405	28,149

From the above Table, it is clear that 85.18 per cent of the Wire line waiting list and 86.23 per cent of the WLL waiting list existing on 31.03.2009 has been cleared till 31.12.2009. It is further submitted that the generation of waiting list is a continuous process as new registration for telephone connections are added every month to the waiting list. The pending waiting list is mostly in rural/ remote areas which are technically not feasible. Efforts are being made to make TNF pockets existing wherever, technically feasible and to provide landline phones on demand at the earliest.”

29. **The Committee are not satisfied with the reply furnished by the Department as they feel that if concrete measures had been taken by BSNL to intensify the provision of providing landline and mobile telephones on demand all over the country, the waiting list as on 30.09.2009 for Wireline & WLL i.e. 1,15,405 and 28,149 respectively would have shown lesser numbers. The Committee feel that instead of addressing the issue to bring it to a logical solution, the Department have taken shelter by citing that generation of waiting list is a continuous process as new registration of telephone connections are added every month to the waiting list. Further, the Committee ponder as to why the pending of waiting list is mostly in rural and remote areas. Therefore, the Committee once again**

**reiterate their earlier recommendation and recommend that BSNL should intensify its measures to curb the rising waiting list both for Wireline and WLL phones.**

**G. Mahanagar Telephone Nigam Limited (MTNL)**

**(i) Optimal utilisation of Outlays by MTNL**

**Recommendation (Para No. 34)**

30. The Committee had opined that in the prevailing environment of fierce competition in telecom market, MTNL should foresee the possible constraints and finalize the plan projections accordingly. Therefore, they had recommended that the measures which had been proposed by MTNL viz. review of the ongoing scheme, taking stalk of the status of new/upcoming projects and giving financial allocation accordingly should be followed prudently so as to ensure optimal utilization of Outlays during 2009-10 and also during the remaining period of the Eleventh Plan.

31. The Department in their Action Taken Note have *inter-alia* stated as under:-

“In this regard, we would like to reiterate the fact that MTNL is drafting its annual plan after reviewing the progress of the ongoing projects and the status of the new / upcoming projects to be taken up during the next year. The reduction at RE stage is based on a revised projection of anticipated expenditure keeping in view the status of projects. Further, the payment liabilities against various projects are also considered while reducing the Budgetary Estimates and allocating the funds for next year. As regards low utilization of funds in 2008-09, is concerned MTNL would once again like to bring the attention of the Committee to the fact that in 2008-09, about Rs 392 crore was reduced at the RE stage under GSM head alone, because of the failure of the ITI to supply the equipment against the orders placed under the reservation quota policy of the Government. Though later on ITI supplied the equipment but the delay in the installation deferred the payment which are linked with different milestones during the implementation of the project. Further, Rs 500 Crore earmarked for the expansion in new service areas like overseas acquisitions and laying of submarine cable has been reduced to Rs 10 crore as MTNL despite of its best efforts could not get the licenses for operation in new service areas and national acquisitions. It is submitted that these licenses are awarded based on the criteria adopted by the various countries and MTNL has no control on the outcome. Similarly because of procedural issues, the submarine cable tender was cancelled. MTNL will like to stress that the lower expenditure is not at the cost of physical achievements. MTNL is providing sufficient capacity to provide services on demand. We would also like to update the Committee that the fiscal outlay for 2009-10 has been revised to Rs 1352.01 Crore from Rs 1725.02 Crore and till December, 2009 approximately Rs 623 Crore (provisional) i.e. 46.08 percent has been spent. It may be noted that MTNL is not getting any grants from Department of Telecommunications and the funds earmarked are taken from its own resources as & when required. However, MTNL shall make all endeavors to optimally utilize the plan outlay to meet its targets.”

**32. The Committee are unhappy to note the way the Department has tried to justify the under-spending of outlay earmarked for Plan schemes from the IEBR component by stating that MTNL is not**

getting any grants from the Department of Telecommunications and the funds earmarked are taken from its own resources as and when required. The Committee find that MTNL is under the administrative control of the Department of Telecommunication and as such the Department has great responsibility to ensure effective implementation of Plan activities of MTNL particularly when these activities have direct relation to the overall performance of MTNL. The Committee while reiterating their earlier concern exhort the Department to monitor the implementation of Plan schemes by MTNL closely and ensure that desired corrective action are taken by MTNL.

(ii) **Effective measures for recovery of the outstanding dues by MTNL**

**Recommendation (Para No. 35)**

33. While taking note of the fact that the measures taken by MTNL viz. strong monitoring at corporate level, implementation of revenue assurance programme, adjusting of security deposits against outstanding Convergent Billing system, automated telephone reminder, legal measures have not yielded the desired result, the Committee had recommended that they should re-strategise their efforts and make full use of the measures like Convergent Billing System to effectively recover their outstanding dues.

34. The Department in their Action Taken Note have *inter-alia* stated as under:-

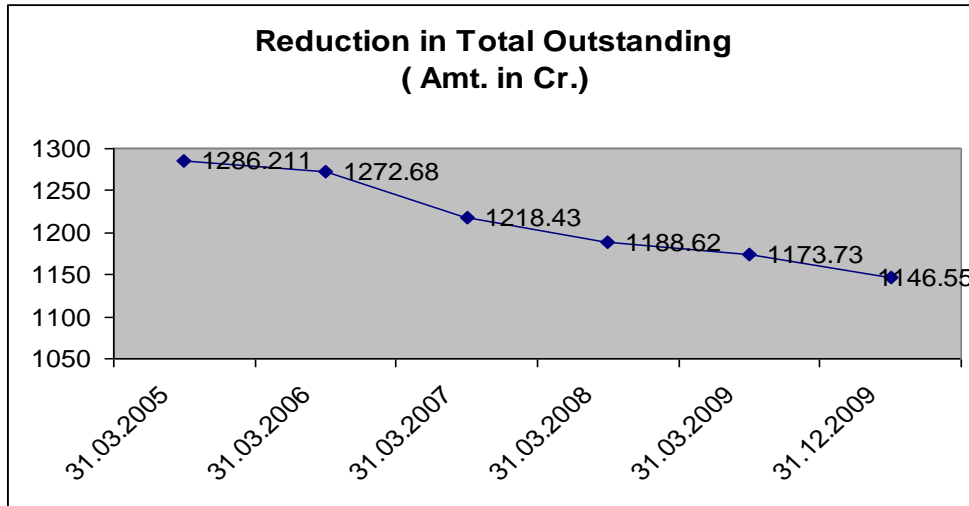
“The outstanding figures as on 31st December 2009 are given below:

**(Rs. In crore)**

Unit	Basic	CDMA	GSM	Total
Delhi	575.22	74.59	102.60	752.41
Mumbai	292.39	23.78	77.97	394.14
MTNL	867.61	98.37	180.57	1146.55

The outstanding has been reduced from 1173.73 Crores (as on 31.3.2009) to Rs.1146.55 Crores (as on 31.12.2009) i.e. Reduction of Rs.27.18 Crores. This reduction is in spite of annual billing of approx. Rs.4000 crores and launching of new services on frequent basis. It can be distinctly made out that in MTNL the trend of outstanding is declining progressively.

Despite other choices now available to customers due to competition which reduces MTNL's ability to realize outstanding through disconnection, MTNL has still been able to bring down total outstanding. It is again reiterated that this is cumulative outstanding of MTNL since its inception and only forms 1.38% of cumulative amount billed for (as on 31.3.2009).



The credit module has already been implemented in MTNL in different services according to categories of subscribers. The same shall be carried forward to Convergent Billing system. It is also informed that Convergent Billing system in CDMA Delhi has been implemented completely and is in the process of being implemented for other lines of business. This will also assist to monitor revenue and dues effectively. New modes of payments have been implemented for facilitating the customers like mobile Sanchar Haats, Easy bills outlets, online payments through credit Card and Debit Card. Pilot scheme introduced in Mumbai unit where bills are collected by lines staff to reduce the outstanding. Reduction targets are being fixed for units and being monitored on regular intervals by the Management.”

**35. The Committee are disappointed to note that the outstanding arrears to be collected by MTNL have remained to the tune of Rs. 1146.55 crore as on December, 2009. The Committee cannot but conclude that their concern over the status of outstanding arrears and asking the MTNL to re-strategise their efforts to improve the situation has not been precisely followed. Therefore, the Committee would like MTNL to adopt new methods/strategy to minimize the outstanding arrears.**

**H. Do-not-call Registry**

**Recommendation (Para No. 40)**

36. While noting that Do-not-call directive which was put into action during September, 2007 has not yielded the desired result as many of the small telemarketers are yet to be registered with the DoT and are still continuing to make the commercial calls without scrubbing their list, the Committee had

recommended that expeditious action on the proposed alternatives should be taken by the Department so that the consumers get the respite from the unsolicited calls.

37. The Department in their Action Taken Note have inter-alia stated as under:-

“TRAI is initiating a public consultation through issue of a consultation paper to review the various issues relating to the Unsolicited Commercial Communications Regulations and alternative mechanism to control unsolicited commercial communications by setting up a National Do Call Registry (NDC) instead of the existing National Do Not Call Registry (NDMC) and strengthening of enforcement measures/mechanism. The consultation process is expected to take about two to three months time. On completion of the public consultation process, necessary regulations/recommendations will be issued by TRAI including the need for enactment of suitable legislations or amendment in Indian Telegraph Act and strengthening of enforcement mechanism. Enactment of legislation shall accordingly be taken up by the Department. “

**38. The Committee note that in pursuance of their recommendation to take expeditious action to tackle the menace of unsolicited calls, TRAI is now initiating a public consultation. The Department has further informed that the consultation process would take two to three months time after which TRAI would suggest the need for enactment of suitable legislation or amendment in the Indian Telegraph Act and strengthening of enforcement mechanism. The Committee hope that consultation by TRAI would have been over by now and as such would like to be apprised of the suggestions of TRAI and the action initiated by the Department in this regard. The Committee would also like to emphasize that action in this regard should be taken expeditiously so that public gets the respite from the unsolicited calls.**

## CHAPTER II

### RECOMMENDATION/OBSERVATION WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

#### Recommendation (Para No. 1)

The Department of Telecommunications which form a part of the Ministry of Communications and Information Technology are responsible for policy formulation, performance review, monitoring, international cooperation, research and development and grant of licences to operators for providing basic and value added services in various cities and telecom circles as per the approved policy of the Government of India. They are also responsible for wireless spectrum management and allocate frequency besides managing radio communications in close coordination with the International Bodies. The plan of telecom expansion by the Department is mainly carried out through their Public Sector Undertakings i.e. Bharat Sanchar Nigam Limited (BSNL), Mahanagar Telephone Nigam Limited (MTNL), Indian Telephone Industries Limited (ITI) and Telecom Consultant India Limited (TCIL). The Internal and Extra Budgetary Resources (IEBR) of the Public Sector Undertakings (PSUs) fund the development and expansion of the telecommunications activities. The Gross Budgetary Support (GBS) is extended to certain specific activities and specified bodies under the Department.

#### Action Taken by the Government

The Planning Commission has approved a Plan Outlay of Rs. 16216.02 crore comprising of Internal and Extra Budgetary Resources (IEBR) of Rs. 15785.02 crore and Gross Budgetary Support (GBS) of Rs. 431.00 crore for the year 2009-10.

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

#### Recommendation (Para No. 2)

The Committee note that the total approved Budget for the Telecom Services during the year 2009-10 is Rs. 10,254 crore, out of which Rs. 10,150 core is for the Revenue Section (Rs. 9823 crore is towards non-Plan expenditure and Rs. 327 crore towards Plan expenditure). An Outlay of Rs. 104 crore has been provided for the Capital Section under the Plan expenditure. The various points, arising out of the examination of the Demands for Grants for the year 2009-10 of the Department of Telecommunications are dealt with in the succeeding paragraphs.



## Action Taken by the Government

The approved budget of DoT for the year 2009-2010 is Rs. 10254 crore as detailed below:-

	(Rs. in crore)		
	Plan	Non-Plan	Total
Revenue Section	327.00	9823.00	10150.00
Capital Section	104.00	--	104.00
Total	431.00	9823.00	10254.00

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010.

### Recommendation (Para No. 5)

During the year 2009-10, GBS allocation of Rs. 431 crore has been provided against the projections of Rs. 1327.45 crore i.e. about 1/3<sup>rd</sup> of the projected outlay. As stated by the Department, shortfall is expected in (i) the project of laying of Undersea Cable between Mainland and Andaman and Nicobar Islands and (ii) OFC based Network for Defence Services relating to Network of Airforce. The Committee observe that UM&AN project is an important project which aims to provide an alternate and more importantly reliable communication link to avoid communication black out in a disaster. Besides, OFC based network is required to be completed expeditiously, so that additional spectrum is released by the Defence, which is urgently required for the network expansion plans as well as for providing the quality services to the customers. In view of this, the Committee strongly recommend that the position should be reviewed further at the stage of Revised Estimates and the additional requirement of outlay for these two projects should be met urgently so that the projects do not suffer for want of resources.

## Action Taken by the Government

### (i) Undersea Cable between Mainland and Andaman and Nicobar Islands

The scheme 'Undersea cabling between Mainland and A&N Islands' (UMA&N) is to be executed by M/s Millennium Telecom Limited, a joint venture of Bharat Sanchar Nigam Limited and Mahanagar Telephone Nigam Limited, under Budgetary Support. The estimated cost of the scheme is Rs. 522.06 crore. Detailed Project Report (DPR) of the scheme for Rs. 522.06 crore has already been approved by Full Telecom Commission and the Note for Cabinet Committee on Economic Affairs (CCEA) is under inter ministerial consultation.

The execution of this spur route cable is linked to the execution of main submarine cable, which MTL has proposed to lay from the East Coast of India (Digha in West Bengal) to South East Asia (Singapore). The financial bids for the scheme is under finalization by the MTL board and the work will be awarded after the finalization of financial bid. Out of total cost of Rs. 522.06 crore, Planning

Commission has already earmarked Rs. 181 crore from the available budget of 11<sup>th</sup> Five Year Plan of DoT. For remaining amount, the Planning Commission has requested the Ministry of Finance for additional support.

**(ii) OFC based Network for Defence Services relating to Network of Air Force**

- vi) Telecom Commission in its meeting held on 7<sup>th</sup> December, 2007 has already accorded financial approval of Rs. 1077.16 crore for the Air Force component of the project. The project is under implementation by BSNL. According to the latest status report received from BSNL, the project is planned to be completed during 2009-10.
- vii) The Army and Navy component of the Project with an estimated cost of Rs. 8893 crore (estimate submitted by BSNL) has been examined by an inter ministerial Group which has submitted its report on 16.11.2009.
- viii) The Full Telecom Commission in its meeting held on 23<sup>rd</sup> November, 2009 approved the proposal of laying of alternate communication network for Defence Services for release of spectrum, at the cost of Rs. 9175.16 crore as given below:

**Particulars**

**Cost**

Total cost of OFC for Army and Navy Net Work Rs. 8098 crore

Total cost of OFC for Air Force Network Rs. 1077.16 crore

- ix) A note was submitted seeking approval of Cabinet Committee on Infrastructure (CCI) on the following proposals:-
- Approval of setting of an alternate exclusive, dedicated OFC based Communication network for Defence Services for release of Spectrum.
  - Financial approval of Rs. 9175.16 crore (Rs. 1077-16 crore for Air Force and Rs. 8098.00 crore for Army and Navy) for laying of alternate communication network for Defence Services in a period of 36 months and approved budgeting of the same in the budget of DoT.
  - The asset created will belong to DoT during the currency of the project and after completion of the Project these assets will be transferred to Ministry of Defence as book transfer.

The Cabinet Committee on Infrastructure (CCI) in its meeting held on 3<sup>rd</sup> December, 2009 approved the above proposal.

- x) The Planning Commission has allocated an amount of Rs. 720 crore until end of financial year 2008-09 in the 11<sup>th</sup> Plan and the same has been reimbursed by DoT to BSNL for the expenditure incurred by BSNL for the Air Force OFC Network project. An outlay of Rs. 26 crore has already been provisioned in the financial year 2009-10 under Budget Estimate and fresh request of Rs.

357 crore has already been sent to the budget section under Revised Estimate in the current financial year.

The position of projects (i) Undersea Cable between Mainland and Andaman and Nicobar Islands and (ii) OFC based Network for Defence Services relating to Network of Air force have been reviewed at RE stage and these projects will not suffer for want of resources.

- a. Telecom Commission in its meeting held on 7<sup>th</sup> December, 2007 has already corded financial approval of Rs. 1077.16 crore for the Air Force component of the Project. The project is under implementation by BSNL. According to the latest status report received from BSNL, the project is planned to be completed during 2009-10.
- b. The Army and Navy component of the Project with an estimated cost of Rs. 8893 crore (estimate submitted by BSNL) has been examined by an Inter ministerial Group which has submitted its report on 16.11.2009.
  - i. The Full Telecom Commission in its meeting held on 23 November 2009 approved the proposal of laying of alternate communication network for Defence Service for release of spectrum, subject to the following revision in cost:-

(Rs. in Crore)

Particulars	Cost
Total Cost of OFC for Army & Navy Network	8098.00
Total Cost of OFC for Air Force Network	1077.16
<b>Total</b>	<b>9175.16</b>

- ii. A note was submitted seeking approval of Cabinet Committee on Infrastructure (CCI) on the following proposals:-
  - Approval of setting up of an alternate exclusive, dedicated OFC based communication network for Defence services for release of spectrum.
  - Financial approval of Rs. 9175.16 crore (Rs. 1077.16 crore for Air Force and Rs. 8098.00 crore for Army and Navy) for laying of alternate communication network for Defence Services in a period of 36 months and approved budgeting of the same in budget of DoT.

The Cabinet Committee on Infrastructure (CCI) in its meeting held on 3<sup>rd</sup> December, 2009 approved the above proposal.

- c) The Planning Commission has allocated an amount of Rs. 720 crore until the end of financial year 2008-09 in the 11<sup>th</sup> Plan and the same has been reimbursed by DoT to BSNL for the expenditure incurred by BSNL for the Air Force OFC Network project. An outlay of Rs. 26 crore was provisioned in BE 2009-10 and Rs.211.85 crore has been allocated under RE 2009-10.
- As per the status received from BSNL, the time line for implementation of the Army and Navy Network is estimated at three years, for which the tenders will be finalized by August, 2010 and implemented by December, 2012.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### **Comments of the Committee**

**(Please see Para No. 11 of the Chapter I)**

### **Recommendation (Para No. 7)**

The Committee note that Network expansion has been identified as one of the thrust areas of the Department. In this connection, the Committee find that the Department's network expansion envisages 250 million connections by December, 2007, 500 million by 2010 and 600 million by 2012. As on 31<sup>st</sup> July, 2009, 479.07 million connections have already been provided. The average teledensity as on July, 2009 was 41.04%, whereas the rural teledensity was just 17.72%. The share of urban sector in wireless phones was 91.17% in March 2009. In spite of the fact that there has been a phenomenal increase in teledensity and India has the proud distinction having the third largest telecommunication network in the world, the rural areas are still in the need of much more focused attention. Another area of concern is the dwindling share of the public sector in the wireless segment. The public sector share in wireless segment was 16.98% in March 2008 which declined to 13.45% in September 2009. In comparison, the share of private sector, which was 83.02% in March 2008 increased to 86.55% in September 2009. Even in the wire line segment, the public sector is losing its share. In March 2008, the public sector share in wire line was 89.38% which declined to 85.67% in September 2009. In comparison, the private sector grew from 10.62% in March 2008 to 14.33% in September 2009. Thus, the public sector has lost around 3-4% share in wire line and wireless segments during one year. The Committee feel that there is an urgent need for a focused attention towards technological upgradation and innovative marketing strategies so as to provide competitive services to the consumer base. Besides this, independent survey need to be conducted to find out the cause of the declining share of MTNL and BSNL in the wire line and wireless segments. Once the grey areas are identified, appropriate corrective action can be taken. MTNL and BSNL being the public service providers have the social obligation to pay more attention to the rural areas. Concrete strategies in this regard should be chalked out, and the Committee be informed accordingly.

## Action Taken by the Government

As against the target of 200 million connections by 2012 (end of 11<sup>th</sup> Five Year Plan), 174 million connections have been provided in rural areas as on 31.12.2009. The net monthly addition of connections in the rural areas is five million number over the last year. Based on this growth, it is expected that the target of 200 million connections will be achieved in rural areas earlier than 2012 (the rural teledensity as on 31.12.2009 is 21.19% against the overall average teledensity of 47.88%).

It is submitted that Telecom market is very competitive particularly in metro cities of Delhi and Mumbai where it is characterized by high saturation and low APRU and having around 100% teledensity. Keeping in view customer aspiration level and telecom needs MTNL keeps on introducing state of art technologies as well as new offers & services. It has the following plans for capacity expansion for the remaining three years of 11th five year plan. MTNL hopes that its subscriber's base will also grow accordingly:

Years	2009-10	2010-11	2011-12
Net Switching Capacity including capacity for WLL & GSM	1000K	1000K	1900K

In the present scenario, the Company is facing competition from other private telecom operators. There are many issues which MTNL is facing as a PSU along with the technological upgradations. These issues need to be addressed properly for the growth of the Company. In fact MTNL has certain constraints viz-a-viz its competitors that affect its relative performance. Some of the points which elaborate this fact are as under:

- In the present fast technological changing telecom scenario, most of the time it has been experienced that by the time we finalize the tender for procurement of telecom equipments in order to rollout/deployment the latest technologies, new/advanced features become available in the market which were not envisaged/available at the time of floating the tender. As the procedures do not permit for negotiation and buying these features being a post tender requirement, MTNL's services are put to a great disadvantage vis-à-vis its competitors who can order these features across the board and deploy them in the shortest possible time. This enables the competitors to capture the creamy segment of the market being the first entrant.
- Requirement of making procurement through open tender procedure even for expansion of existing network results into a new supplier every time. This leads to new vendors getting the orders thereby creating interoperability problems.
- Reservation quota policy of government in procurement.
- MTNL's services are put to a great disadvantage viz-a-viz its competitors who can provide the futuristic services across the board and deploy them in the shortest possible time. But the tendering procedure followed by MTNL prohibits even mid course correction.

- MTNL has been carved out of DOT a Government Department and has a huge legacy of unskilled / untrained man power. In the telecom sector where the technology is changing very fast, most of the projects are executed and maintained on a turn key basis. The operators thus mostly concentrate on the marketing strategies leading to the growth in terms of number of customers and increased revenues.
- In India, maximum growth is taking place in Tier-II and Tier-III cities as well as rural areas. MTNL is restricted to Delhi and Mumbai. This restriction is preventing MTNL from offering competitive rates to its customers on all-India basis. MTNL does not own any network outside Delhi/ Mumbai. Our competitors who have all India presence, offer very attractive tariff schemes.

It is reiterated that the telecom is the only sector where the prices of equipments & services with better technologies & value addition are falling very fast with time, and therefore the procurement procedures to be followed by the telecom sector have to be different from those followed in the other sectors, ensuring transparency at the same time.

In spite of all these factors MTNL is trying its best within the guidelines of the Govt. to achieve its targets .However if these shortcoming are removed MTNL will be able to perform better than its competitors to achieve its schemes /projects in the environment of fierce competition.

Further, it is submitted that MTNL does not operates in the rural areas and is providing services in Delhi and Mumbai only.

As against the target of 200 million connections by 2012 (end of 11<sup>th</sup> Five Year Plan), 174 million connections have been provided in rural areas as on 31.12.2009. The net monthly addition of connections in the rural areas is five million numbers over the last year. Based on this growth, it is expected that the target of 200 million connections will be achieved in rural areas earlier than 2012 (rural teledensity as on 31.12.2009 is 21.19% against the overall average teledensity of 47.88%).

## **Wireless Segment (BSNL)**

### **(A) GSM Mobile**

BSNL has total 49,501 mobile base station of GSM with 22,000 base stations in urban area and 27,501 base stations in rural area as on 31<sup>st</sup> December 2009. BSNL has 5,815 Nos. of 3G Base station as on 31<sup>st</sup> December 2009.

BSNL has covered 49% of the geographical area of its jurisdiction and 67% of the population in its area of services with GSM services.

BSNL is in the process of covering all the villages with GSM services, having population greater than 1000. Out of around 2.27 lakh villages, BSNL has covered around 1.38 lakh villages, having population more than 1000 and 57% of the total inhabitant villages of India have been covered with BSNL's GSM services. The circle wise rural GSM Capacity, connections, coverage of village with GSM services and rural Base station is attached as Annexure-I.

The market share of GSM mobile has gone down from 18.82% in March 2008 to 16.20% in March, 2009 due to:

- i) The equipment procurement efforts for BSNL's new mobile expansion project received a setback due to Court Case.
- ii) Entry of new service providers in the existing licence area with aggressive tariff plans.
- iii) Aggressive marketing of services by the operators at different points of time.

Remedial actions being taken by BSNL to increase the market share of GSM and other services are as under:-

- i) Project Vijay has been launched in consultation with M/s BCG to increase the reach and extraction and to bring in the professionalism to the sales force in the circles and SSAs.
- ii) Launch of matching tariffs plans.
- iii) Aggressive promotional tariff plans for 3G services.
- iv) Attractive data tariff have been offered (1 Paisa for 10 kb).
- v) Post paid plans have been rationalized.
- vi) Special Vouchers to bring back Grace Period subscribers.
- vii) Attractive plans and STV have been launched for WLL subscribers.
- viii) Disconnected WLL numbers have been converted to Pre-Paid (Approx.7.7 lakh subs.).
- ix) Launch of new products and tariff with proper campaign started.
- x) Trading and bundling arrangement with TMS, Nokia, Dell and M/s Olive finalized. Arrangement with FLY Mobile is under process.
- xi) For rural marketing, arrangement with National Fertilizer Limited is in pipeline.
- xii) Proposal with Department of Post (DOP) for utilizing Rural Offices is under process.
- xiii) Franchisee Sales & Distribution Policy 2009 has been revised and some changes have been incorporated in "Franchisee Sales & Distribution Policy 2009" to increase the BSNL distribution network and hence enhance the volume of business.
- xiv) The No. of retailers of BSNL has been increased from 3 lakh to 6.8 lakh and planned to increase the Retailers up to 9 lakh by this financial year.

- xv) Focused and adequate media campaign is being done to grab the 2G/3G product & services, 3G VAS, Blackberry and EVDO data cards business of mobile market.

## B) CDMA WLL

BSNL is also providing connections in rural area through its WLL services. Connections given during last three years are as given below:

Year	Urban	Rural	Total (Urban + Rural)
2006-07	-28,729	10,12,467	9,73,738
2007-08	1,41,966	8,79,503	10,21,469
2008-09	1,75,401	6,79,905	8,55,306

### Technological up gradation/innovation

- i) MSC based CDMA 2000 1x system with provision of Voice, SMS & 1 x data is being deployed presently with latest state of art technology.
- ii) Prepaid service has been started from September, 2008.
- iii) EVDO Rev A based high speed internet service has been started.

### Wireline segment

The fall in market share and in profit with regard to **fixed line network** is mainly due to rapid expansion of mobile services and manifold increase in mobile connections, which provide greater convenience and cheaper calls and consequent shifting of traffic to more convenient mobile phones. BSNL is making all out of efforts to retain landline customers and increase their utility by providing several Value Added Services including broadband services, IPTV services, Video Phones and Video Conferencing services etc. Efforts are being made for up gradation of wireline network like induction of new IP Based NGN (Next Generation Network) switches, induction of customer care and billing platform, provisioning of new services at affordable prices, availability of latest CLIP phones, introduction of various attractive tariff plans & improved marketing strategies, rigorous monitoring of Quality of Service parameters as defined by TRAI etc. Efforts are being made to upgrade the external plants and extend connectivity to new upcoming colonies to provide landline telephones on demand on all areas.

The details of the projects being implemented to provide better facilities, services to wireline customers are as follows:



## **(1) CDR based convergent billing and customer care project**

- i) CDR project is all about IT Systems (Complete OSS & BSS) for extending better Customer Care, besides billing accounting and Revenue Assurance. CDR project focuses on consolidation of IT systems to help in serving Customers in a better way. Customer Relationship Management (CRM) and other Software of CDR project facilitate for improved customer acquisition process, managing sales, better customer-care, provide for efficient monitoring mechanism, facilitate churn management and help in Customer retention.
- ii) CDR project will migrate SSA based billing and commercial system to 4 zonal based systems. CDR project will primarily cater to PSTN; landline based broadband, Value Added Services and Leased lines etc. IT infrastructure consolidation will inculcate uniformity in business operations just like other telecom operators.
- iii) POC phase of CDR project is under progress. All the 4 Data Centers are up and running. Out of the 23 POC SSAs Hyderabad, Bhopal, Dehradun, Jammu, Bhubaneswar and Vellore SSAs have gone live on CDR platform.

## **(2) Centralized Bill Printing**

- i) BSNL has floated tender for setting up, own and operating of the zonal facility for printing of bills and making them ready for dispatch, as per the specifications.
- ii) BSNL intends to have zonal facilities for bill printing in full colour and post printing operations like cutting stuffing, inserting, envelope making etc. exclusive to BSNL, wherein all CAPEX shall be borne by facility provider at the BSNL provided covered space.
- iii) BSNL intends to set up 4 such facilities at Delhi, Pune, Kolkata, and Chennai under two separate Projects i.e. Project 1 and Project 2, Project 1 shall comprise South and East zone including North East circles, while Project 2 shall comprise North and West zones.
- iv) Tender for Centralized Bill printing is under evaluation

## **(3) NGN Class V Network**

Technologies up-gradation of Network element has been planned. Legacy TDMA based Switching equipment are planned to be progressively upgraded to or replaced by IP based NGN Switches. Life expired switches are being upgraded/replaced.

## **(4) Fixed Mobile Convergence**

The value of landline is further planned to be enhanced through fixed mobile convergence whereby mobile customer can leverage the existing landline infrastructure for making the voice calls.

Various Marketing strategies are being finalized with the help of other consulting agencies to target the specific Market such as PCO etc. The reason for declining share of BSNL in wire line Segment is being analyzed and corrective measure such as launching new tariff/schemes/disconnection/franchise commission etc. are being taken. For rural areas technical up-gradation of existing exchanges such as conversion of CDOT-256 into ANRAX is being done. In addition specific plans are also being launched for Rural Areas.

**(5) Broadband Service**

i) The Market share of BSNL wireline Broadband has increased since March, 2008 as given below:-

March 2008	52.11%
September 2009	59.72%

ii) The Network expansion status over the period is as follows:

S. No.	Project	Month	BB Capacity	Working Connections	% loading
1	Rural	<u>March' 2008</u>	<u>960</u>	<u>79</u>	<u>8.23%</u>
		Sept' 2009	1,456,704	357,368	24.53%
2	Urban	<u>March' 2008</u>	<u>3,466,748</u>	<u>2,032,357</u>	<u>58.62%</u>
		Sept' 2009	5,495,894	3,948,419	71.84%
3	Total	<u>March' 2008</u>	<u>3,467,708</u>	<u>2,032,436</u>	<u>58.61%</u>
		Sept' 2009	6,952,598	4,305,787	61.93%

**Rural Network**

BSNL is providing telephone facilities in the villages of the country. Village Public Telephone (VPTs) are being provided in villages under the direction of USOF, DOT. Out of 5,93,601 inhabited villages in the country as per Census 2001, BSNL has covered 5,62,703 villages with VPT facility as on 31.12.2009. For increasing the penetration in villages, BSNL is working on various schemes under the direction of USOF, DOT. Details of these schemes are as under:

**1. Provisioning of VPTs under Bharat Nirman**

BSNL has entered into agreement with USO for provision of VPTs in 66,822 undisputed, undisturbed, accessible and inhabited villages having population more than 100 as per Census, 1991 in the country.

The provisioning of these 66,822 VPTs has now formed a part of Bharat Nirman Programme that is being monitored by PMO. BSNL has provided VPT facility in 61,186 villages as on 31.12.2009 including. Villages in the far-flung areas which are not feasible by terrestrial technology are being covered with DSPT (Digital Satellite Phone Terminal). Remaining feasible villages will be covered during the current financial year.

## **2. Provisioning of VPTs under New VPT Agreement**

BSNL has entered into an agreement with USOF for provisioning of VPT facility in 62,443 newly identified uncovered inhabited villages of Census 2001. Out of awarded 62,443 villages, BSNL has covered 36,039 villages with VPT facility till 31.12.2009. Remaining villages will be covered with VPT facility in the next one year (till Feb. 2011) as per terms and condition of the agreement.

## **3. Replacement of MARR Based VPTs**

BSNL had signed an agreement with USOF, DOT for replacement of 185,121 numbers (Revised) of VPTs which were earlier working on Multi Access Radio Relay (MARR) technology and installed before 01.04.2002. A total number of 184,521 MARR VPTs have been replaced upto 31.12.2009.

## **4. Provisioning of VPTs on DSPT**

Under Bharat Nirman for provisioning of VPTs on DSPT for highly inaccessible & remotely located villages is being done on DSPT (Digital Satellite Phone Terminal). The DSPT services have been launched in the BSNL network in Aug. 2008 and nearly 4600 DSPTs have been installed for VPTs. The DSPT system is having Hub at Secunderabad and nearly 1400 DSPT systems are under commissioning.

## **5. Rural DELs**

BSNL has entered into an agreement w.e.f. 01.04.2005 with USOF to provide RHDELs in 1267 specified SDCAs; this agreement has been extended up to 31.03.2010. BSNL has provided 23.36 Lakh Rural DELs in 1267 specified SDCAs up to 31.12.2009. Efforts are being made to provide maximum number of RDELs in these SDCAs and Promotional schemes for RDELs have been launched to attract the new customers in rural areas.

## **6. Steps taken for modernization of Rural Telephone Sector**

i) Out of 23378 C-DOT RAX in the country, 23308 have been covered to AN-RAXs and out of 7287 SBMs in the country, 7259 have been converted to RSUs as on 31.12.2009. The subscribers of these areas where conversion of exchanges have taken place will have all new facilities of the parented main new technology exchange of their area. Further, in coordination with CDOT, testing for up-gradation of all existing CDOT exchanges including the exchanges in rural areas to IP based NGN compatible switches with all modern facilities is in progress.

ii) Out of 1,85,121 MARR VPTs, BSNL has replaced 1,84,521 MARR VPTs by reliable in the country till 31.12.2009. With this, the subscribers of these areas will have reliable communication facilities.

## 7. Initiatives taken

- i) Steps are being taken to provide broadband facility on DSPTs to give boost to broadband services and the USOF is being pursued to get the requisite subsidy.
- ii) Toll free numbers for booking the VPT complaints have been opened in all the circles to improve the quality of service and customer satisfaction. It is added that exclusively '179' position opened for PCOs fault booking is being used for booking the VPTs/DSPTs fault also.

### BHARAT SANCHAR NIGAM LIMITED

#### GSM CAPACITY, CONNECTIONS & COVERAGE IN RURAL INDIA FOR THE PERIOD ENDING December, 2009

S. No.	Circle	Rural Cellular Radio Capacity (Nos.)	All India Rural GSM connections	Total villages (Census 2001)	Total villages covered (direct or indirect)	Villages >= 5000 population	Villages covered >= 5000 population	Villages >= 1000 population	Villages covered >= 1000 population	Total Rural BTS
<b>North Zone</b>										
1	Haryana	963,392	1,495,412	6,975	4,003	602	602	4,707	3,132	1,065
2	H.P.	685,337	690,663	17,495	15,628	9	9	878	591	609
3	J&K	273,402	91,688	6,652	2,367	301478	104	2,577	794	380
4	Punjab	1,4469,783	1,464,789	12,313	9,875	761308	290	5,730	4,953	1,461
5	Rajasthan	1,965,700	1,071,940	41,353	25,897	82761	749	14,198	9,447	2,227
6	Uttaranchal	495,308	364,169	15,761	8,902	1,54582	79	1,132	945	472
7	UP(E)	2,619,128	1,674,176	80,574	66,220	5491,545	1,545	30,990	23,290	2,581
8	UP(W)	891,459	452,685	23,781	4,243	1,017	549	12,801	2,427	833
<b>Sub-Total</b>		<b>9,363,509</b>	<b>7,305,522</b>	<b>204,904</b>	<b>137,135</b>	<b>4,471</b>	<b>3,927</b>	<b>73,103</b>	<b>45,579</b>	<b>9,628</b>
<b>East Zone</b>										
1	A & N	61,734	46,668	501	284	2	2	79	79	78
2	Assam	580,016	281,154	25,124	17,556	204	204	8,306	7,956	731
3	Bihar	1,229,885	867,878	45,098	21,976	2,936	2,195	21,606	14,522	1,374
4	Kolkata TD	58,524	98,978	437	437	44	44	393	393	69
5	Jharkhand	387,982	272,184	29,037	17,743	364	254	6,017	0	408
6	NE 1	132,429	110,968	7,347	1,218	140	110	910	303	186
7	NE 2	198,263	165,986	7,340	3,205	147	107	969	375	201
8	Orissa	804,500	893,924	47,529	21,511	185	148	9,384	3,951	1,055
9	West Bengal	1,277,411	969,882	38,405	21,802	1,890	1,095	17,174	11,576	1,390
<b>Sub-Total</b>		<b>4,730,744</b>	<b>3,707,622</b>	<b>200,818</b>	<b>105,732</b>	<b>5,912</b>	<b>4,159</b>	<b>64,838</b>	<b>39,155</b>	<b>5,492</b>

West Zone										
1	Chhattisgarh	394,619	230,685	19,744	7,387	86	80	5,449	4,840	617
2	Gujarat	1,483,680	946,963	18,632	12,322	975	877	9,827	4,520	1,632
3	Maharashtra	1,570,630	1,449,726	41,442	18,336	1,305	1,299	17,158	10,757	2,554
4	Madhya Pradesh	492,200	176,463	52,117	23,014	382	221	14,046	5,718	1,200
<b>Sub-Total</b>		<b>3,941,129</b>	<b>2,803,837</b>	<b>131,935</b>	<b>61,059</b>	<b>2,748</b>	<b>2,477</b>	<b>46,480</b>	<b>25,835</b>	<b>6,003</b>
South Zone										
1	Andhra Pradesh	1,658,692	1,791,496	26,613	18,103	2,286	2,090	15,676	11,727	1,999
2	Chennai TD	209,159	43,370	1,655	369	76	76	1,707	293	142
3	Kerala	1,373,406	1,380,298	1,372	1,366	1,280	1,280	1,372	1,366	1,336
4	Karnataka	552,368	363,818	27,481	15,318	835	835	10,402	4,271	1,463
5	Tamilnadu	1,369,164	458,306	14,670	10,680	1,368	1,315	13,302	9,365	1,438
<b>Sub-Total</b>		<b>5,162,289</b>	<b>4,037,288</b>	<b>71,791</b>	<b>45,836</b>	<b>5,845</b>	<b>5,596</b>	<b>42,459</b>	<b>27,022</b>	<b>6,378</b>
<b>Grand Total</b>		<b>23,197,671</b>	<b>17,854,269</b>	<b>609,448</b>	<b>349,762</b>	<b>18,976</b>	<b>16,159</b>	<b>226,790</b>	<b>137,591</b>	<b>27,501</b>

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### Recommendation (Para No. 8)

The Committee note that as per the Broadband Policy, 20 million broadband subscribers are targeted by 2010. With regard to the current position in this regard, the Committee have been informed that as on July, 2009 about 6.80 million broadband connections could be provided out of which the total number of rural broadband connections was more than 3.01 lakh. With regard to the coverage in cities, the Committee have been informed that 70.38 per cent of the cities have been covered whereas in rural areas only 15.67 per cent of the villages could be covered. The Committee note from the aforesaid position that adequate emphasis has not been given to rural broadband.

Regarding the initiatives being taken by the Department to improve the broadband coverage in rural areas, the Committee note that the year 2007 was declared as the 'Broadband Year' and one of the thrust areas of the Department has been stated to be broadband coverage for rural broadband connectivity which will cover institutional users, such as Common Service Centre (CSCs), being set up by DIT, Gram Panchayats, Higher Secondary Schools and Public Health Centres, as well as individual users located in the villages. Further, the Indian Telegraph Rules have been amended, and stream IV has been added under the title "Provision of broadband connectivity to villages in a phased manner". In addition, a scheme has been launched to provide wire-line broadband connectivity to rural & remote areas by leveraging the existing rural exchanges infrastructure and out-door copper wire-line network. Further initiatives are being taken in respect of wireless broadband area. A wireless broadband scheme has been prepared to provide broadband facility to about 5 lakh villages. The different User

Ministries/Departments are being coordinated to prioritize the firm up their requirements. While nothing that all these steps are in the right direction, the Committee strongly recommend that the initiatives being taken should be further intensified particularly with regard to rural broadband connectivity. The proposed rural wireless broadband scheme should be finalized and implemented expeditiously.

### **Action Taken by the Government**

Various initiatives taken by the Government for promoting the growth of broadband in rural areas are as under:-

- A large programme of deployment of wireless broadband using broadband wireless access for providing last mile connectivity is being implemented by BSNL. Under this project it has been planned to provide wireless broadband connectivity to 1000 rural blocks through wireless broadband at a cost of Rs. 225 crore, of which Department of Information Technology is providing Rs. 160 crore. These 1000 base stations will provide broadband coverage to about 11,500 rural Common Service Centres (CSCs) for e-governance applications.
- It is proposed to provide wireless broadband connectivity to about 5000 rural blocks through wireless broadband under Phase-II of this project at a cost of Rs. 1415 crore. These 5000 base stations will provide broadband connectivity to about 50,000 rural CSCs in this phase. This project is also being supported by Department of Information Technology with a funding of Rs. 550 crore.
- USOF is providing subsidy support for providing wire-line broadband connections in and around 28,000 villages/rural locations over a period of 5-years, i.e., by 2014. The subsidy disbursement is for broadband connections, Customer Premises Equipment (CPE), computer/computing devices, setting up of kiosks for public access to broadband services. The estimated subsidy flow is Rs. 1500 crore.
- USOF has launched a scheme for providing subsidy support for augmentation, creation and management of intra-district OFC network between the blocks headquarter and districts headquarter to create bandwidth and backhaul capacity to integrate the voice and data traffic from the access network in the rural areas to the core network, which will also be available to other service providers on sharing basis.
- USOF has identified 5000 villages, which do not have any terrestrial connectivity and is working out a scheme for providing satellite broadband connectivity to these villages.
- The India Telegraph Rules have been amended enabling USOF to provide support for creation of general infrastructure in rural and remote areas for the development of telecommunication facilities.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### **Recommendation (Para No. 9)**

The Committee further note that during the year 2008-09 under Tribal Sub Plan areas, the achievement is 58,114 out of the target of 1,10,025 broadband connections. The Department has informed that initiatives for Broadband Wireless Access (BWA) Services and the auction of BWA spectrum will be taken up with 3G spectrum which would help in increasing penetration of broadband in the country as well as growth in broadband subscribers. The Committee hope that with all these initiatives more attention would be given to the difficult areas and the targets would be achieved under the Tribal Sub Plan areas.

### **Action Taken by the Government**

The observation of the Committee has been noted and all efforts shall be made to achieve the target in Tribal Sub Plan areas. The targets for broadband connections in Tribal Sub Plan areas have been increased to 1.60 lakhs for the year 2009-10 and 1.80 lakhs for the year 2010-11 in view of 3G & WiMAX rollout.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### **Recommendation (Para No. 12)**

The Committee note that Village Public Telephones (VPT) has been included as the telephone connectivity component under Bharat Nirman Programme. VPTs is one of the ongoing activities of Universal Service Obligation Fund. Nearly 5.42 lakh VPTs have been provided by BSNL before 2004-05 and these VPTs are receiving support towards operation and maintenance. Still there are 66822 villages uncovered as per census 1991. These uncovered eligible villages were to be provided with VPTs in a phased manner (20%, 40%, 40%) over a period of three years and by November 2007. The Committee note that the roll out period has been extended upto November 2009. Out of the total target of 66822 VPTs, the achievement till August, 2009 was 59346 VPTs. The Committee have been informed that most of the remaining VPTs are to be provided in the States of Jammu and Kashmir, Meghalaya, Arunachal Pradesh, Manipur, Orissa and Uttarakhand. With the census 2001, new villages appeared and as such a revised list of 62443 villages not having VPT facility has been prepared. Out of the 62443 villages, as on 31<sup>st</sup> August, 2009 a total number of 31464 VPTs have already been provided under the new VPT agreement with M/s BSNL. The remaining VPTs under the newly identify category are likely to be provided in a phased manner by February, 2011. The Committee conclude from what has been stated above that in spite of all the efforts being made over the years, there are still 7476 VPTs to be covered under the Bharat Nirman Programme and 30979 VPTs under the newly identified category of villages. While taking note of the fact that the uncovered VPTs are in the difficult areas, the Committee strongly recommend the Department/BSNL to take all the desired initiatives with the help of technology intervention so that these areas are covered expeditiously. Since the deadline for coverage of Bharat Nirman VPTs has already expired on November, 2009, the efforts should be made to cover 7476 VPTs

without any further delay. With regard to the newly identified villages to be provided with VPTs it should be ensured that the deadline of February, 2011 is not further extended and these VPTs are put in place. The Committee should be kept apprised about the follow up action in this regard.

### **Action Taken by the Government**

Under the Bharat Nirman Agreement, 61186 VPTs have been provided as on 31.12.2009. As intimated by BSNL, about 4520 villages cannot be provided with VPT facility on account of various reasons like naxalite affected villages, no population in the village, village not traceable, submerged etc. Accordingly, the number of VPTs to be provided under the Bharat Nirman Programme has now been revised to 62302 from the original figure of 66822. Thus effectively 98.21% VPTs have been provided as on 31.12.2009. Most of the VPTs out of the remaining 1116 VPTs are to be provided in the hilly regions of J&K, Meghalaya and Uttaranchal. The VPTs in these areas are being provided on DSPTs. BSNL has been asked to provide the remaining VPTs expeditiously.

As regards the Agreement for VPTs to be provided in newly identified villages, a total number of 36039 VPTs (57.71%) have been provided as on 31.12.2009 out of the total 62443 VPTs. BSNL has been informed to ensure that the remaining VPTs under the Agreement are provided well within the time limit of February, 2011.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### **Recommendation (Para No. 13)**

The Committee note that VPTs already installed under the Bharat Nirman Programme are receiving support towards operation and maintenance from the USO Fund. In this regard, the Committee would like to be clarified whether the operation and maintenance of the newly identified VPTs would also be covered under the USO Fund. The Committee would also like to be apprised of the data till date with regard to the cost of operation and maintenance of the VPTs that has been borne out of the USO Fund.

### **Action Taken by the Government**

USO Fund provides subsidy support for installation cost as well as operation & maintenance charges of the VPTs installed both under Bharat Nirman and newly identified VPT Agreement. For the purpose of determining the subsidy support Capital Recovery, Operating Expenses and Revenue have been taken into account. The mode of subsidy is based on a front loaded payment and equated annual installments for a period of 5 years.

As on 31.12.2009, a sum of Rs. 798.60 crore has been disbursed by USO Fund towards the cost of operation and maintenance of the existing VPTs. A sum of Rs.165.36 crore and Rs. 34.76 crore has so far been disbursed as subsidy support for VPTs provided under Bharat Nirman and New VPT Agreement respectively.



(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

#### **Recommendation (Para No. 14)**

The Committee note that the RCPs scheme was launched with the objective to provide a second public phone in relatively bigger villages having a population of above 2,000 and not having any other public telephone facility i.e. PCO. In this connection, agreements were signed with BSNL and RIL to provide RCPs in 40691 villages (BSNL 21958, RIL 18733). As on 31<sup>st</sup> May, 2009 a total of 40691 RCPs were provided by both the companies. Thus only 14 villages were still to be covered by 31<sup>st</sup> May, 2009. The Committee would like to be apprised of the status of installation of telephones in these 14 villages by RIL.

#### **Action Taken by the Government**

Agreements were signed with BSNL and RIL to provide RCPs in 40705 villages (revised figure). As on 31.12.2009, 40694 RCPs have been provided out of 40,705 Rural Community Phones (RCPs) as per details given below:-

<b>Service Provider</b>	<b>Target</b>	<b>Achievement</b>	<b>Balance</b>
<b>BSNL</b>	21958	21958	0
<b>RCL</b>	18747	18736	11
<b>Total</b>	<b>40705</b>	<b>40694</b>	<b>11</b>

It has been reported by M/s RCL that PCOs facility already exists in 8 villages. As per the terms and conditions of the Agreement, in the case a second public telephone exists in village, the same shall be deleted from the list of eligible villages. Thus effectively 3 RCPs are pending to be provided. M/S RCL has been asked to provide the same without any further delay.

Deputy Director General (TPF)

### **Recommendation (Para No. 15)**

From the data provided by the Department, the Committee note that in September, 2004 agreements were signed for installation of 46253 Rural Community Phones. The target of RCPs to be provided was revised downward to 40705. The Committee further note that there were about 48406 villages with a population of more than 2,000 and without a public telephone as per the information provided by the Department. The Committee would like the Department to clarify the reasons for leaving out 2153 villages while making the initial agreement and reduction of the target from 46253 to 40705 RCPs. The desired clarification should be furnished so as to analyse the position and comment further in this regard.

### **Action Taken by the Government**

Although there were 48406 villages with a population of more than 2,000 and without a public telephone at the time of calling of the tender in the year 2004, the Agreement was signed for 46253 RCPs as the valid bids were received for 46253 villages only.

As per the Agreement, support from USO Fund was to be provided for the RCPs in specified villages where population exceeded 2000 as per Census 1991 and where there was no PCO facility. In case a second public telephone existed in a village, the same was to be deleted from the list of eligible villages. The bidders were advised to verify this aspect before installation of a RCP. Accordingly, the target was reduced from 46253 to 40705 in October, 2008.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### **Recommendation (Para No. 17)**

The Committee observe that as per the original agreements, 1,86,872 VPTs based on the MARR system were to be replaced by BSNL by 30 June, 2005. The target was revised downward to 1,85,121 and three extensions were granted to BSNL to replace such VPTs by 31<sup>st</sup> March, 2009. As on 31<sup>st</sup> May, 2009 only 1146 VPTs remain to be replaced. The target for replacement these remaining VPTs was by June, 2009. During the course of examination of the Demands for Grants (2009-10), the Committee have further been apprised that now 875 VPTs remain to be replaced as on 31.8.2009. Most of the remaining VPTs are in the States of Meghalaya, Mizoram, Arunachal Pradesh, Manipur, Assam, Orissa and Chhattisgarh. The reasons for delay in the replacement of MARR VPTs as indicated by the Department are their location in far off and isolated areas where the expansion of network is not easily feasible. The Committee have been informed that BSNL is in the process of procurement of CDMA equipment and some of the MARR VPTs are also to be replaced on Digital Satellite Phone Terminals (DSPTs). The Committee strongly recommend that the CDMA/DSPT equipment should be procured expeditiously so that the remaining MARR based VPTs are replaced without any further loss of time.

### **Action Taken by the Government**

A total number of 1,84,521 MARR VPTs have been replaced as on 31.12.2009. Most of the remaining 600 MARR VPTs are lying in the remote and isolated areas where no network coverage on landline/WLL is available as on date. With the continuing procurement and expansion of the network being carried out by BSNL for the rural and remote areas, it is expected that the remaining MARR VPTs shall be replaced shortly.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### **Recommendation (Para No. 18)**

The Committee note that agreements were signed in March, 2005 with M/s BSNL, RIL, TTL & TTL(Maharashtra) for installation of Individual Rural Household Direct Exchange Lines in the country during the period from 01.04.2005 to 31.03.2007. As per the agreements signed, these RDELs were to be provided on land lines or on fixed wireless terminals in case of any wireless technology. These RDELs were to be installed in the eligible 1685 Short Distance Charging Areas (SDCAs) out of total 2647 SDCAs, where cost of providing telephone connection was more than the revenue earned. The contracted SDCAs amongst M/s BSNL, RIL, TTL & TTL (Maharashtra) were 1267, 203, 172 & 43 respectively. As on 31.05.2009, about 64,55,166 RDELs have already been provided (BSNL - 20,57,950, RIL - 18,20,051, TTL - 18,58,162 and TTL (Maharashtra) - 53,07,68) under the scheme. During the examination of DFG (2008-09) the Committee were informed that the schedule date for completion of the scheme was extended upto March, 2009. However, the Committee have now been informed that it has further been extended upto 31<sup>st</sup> March, 2010 as per the requests received from the various service providers. The Committee strongly recommend that the four service providers should be impressed upon to cover all the eligible SDCAs through provision of individual rural direct exchange line by the revised deadline and no further extension should be considered/provided.

### **Action Taken by the Government**

All the 1685 SDCAs have already been provided with individual rural direct exchange lines (RDELs) by the respective service providers. As on 31.12.2009, about 70.49 lakh RDELs have been provided with subsidy support from USO Fund under this scheme as per the details given below:-

<b>Service Provider</b>	<b>Number of SDCAs</b>	<b>Total number of RDELs</b>
<b>BSNL</b>	1267	2336734
<b>RCL</b>	203	1937191
<b>TCL</b>	172	2011550
<b>TTMH</b>	43	763083
<b>Total</b>	<b>1685</b>	<b>7048558</b>

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### **Recommendation (Para No. 19)**

The Committee note that the shared infrastructure mobile services scheme (Phase-I) was launched by USOF to provide subsidy support for setting up and managing infrastructure sites/towers for providing mobile services in the specified rural and remote areas where there is no existing fixed wireless or mobile coverage. The infrastructure so created is to be shared by three service providers i.e. BSNL, Vodafone and Reliance for provision of mobile services including other Wireless Access Services like Wireless in Local Loop (WLL). In the first phase, agreements were signed with successful bidders in May, 2007 to set up and manage 7871 infrastructure sites (towers) in 500 districts spread over 27 States. During the examination of DFG (2008-09) the Committee were informed that the Phase I would be completed by May, 2008. However, the Committee have now been informed that the date has been extended upto September, 2009. The Committee are disheartened to note that the Phase I is yet to be completed and the target date for completion has time and again been extended. As on 31<sup>st</sup> July, 2009 only 6209 out of the stipulated 7439 sites/towers have been installed i.e. 83.46 per cent achievement. The reasons for delay have been attributed to disturbed areas, rough terrain and acquisition of land etc. The Department have further submitted that the service providers before submitting their bid were informed about the locations and remoteness of the sites where the towers are proposed to be installed. Apparently, the delay is on the part of the service providers. In this connection, the Committee would like to be apprised whether there was any provision of penalty in the contract in case of not meeting the deadlines by the service providers.

### **Action Taken by the Government**

The agreements effective from 01.06.2007 were signed with the successful bidders in May, 2007 for setting up and managing 7871 number of infrastructure sites/towers. The number of towers to be installed has since been revised to 7387. As on 31.12.2009, 6956 i.e. about 94.2% towers have been set up under this scheme. The remaining towers under this scheme are likely to be commissioned in a phased manner by March, 2010. The delay in the setting up of the towers has been attributed to a number of reasons including remoteness/accessibility of the sites, delay in land acquisitions, non availability of power supply, law and order/naxalite problems in some parts of the country, natural calamities and various reasons beyond the control of Service Providers.

However, the penalty clause is built in the Agreement. As per the terms and conditions of the Agreement, USO Fund was entitled to recover Liquidated Damages at the rate of 5% of Annual subsidy payable for those Infrastructure sites for each calendar month of delay or part thereof, subject to a maximum of two months period (i.e. 10% of the Annual subsidy thus payable for those Infrastructure sites).

### **Recommendation (Para No. 20)**

The Committee further note that a proposal to further cover the hitherto uncovered areas in the country through mobile services for this 10,128 additional sites has been identified for setting up shared towers. These towers will be installed in the second phase of the scheme which is likely to be launched shortly. The Committee strongly recommend that while signing agreements with the service providers, it should be ensured that there is a penalty clause for not meeting the deadlines by the service providers. The Committee may be kept apprised about the launch and implementation of the scheme in due course.

### **Action Taken by the Government**

The second phase of the Shared Mobile Infrastructure Scheme is under the consideration of the Government.

Penalty clause for not meeting the deadlines by the service providers have been incorporated in the scheme, wherein it has been stated that the delay in execution after the prescribed roll out by the service provider shall lead to imposition of LD charges @ 5% of benchmark value for every month of delay subject to a maximum of 10% of benchmark for delayed roll out. This LD shall be applicable regardless of positive, zero or negative rate arrived as an outcome of the tender.

Deputy Director General (TPF)

### **Recommendation (Para No. 21)**

The Committee note that five pilot projects under USOF are likely to be provided with subsidy support at an upper ceiling of Rs. 50 lakh per project during 2009-10. Support is also being considered for renewable charge source (solar, wind, hybrid solutions) for 20 sites on pilot basis. Further, support is also being considered for mobile charging stations in 5000 villages through TERI projects of Lighting a Billion Lives (LaBL). The Committee further note that USOF has already signed MoU with M/S Vihan Networks Ltd. for deployment of rural telephony solutions. As far as the pilot projects to establish technical feasibility and financial viability for solar/solar wind hybrid renewable energy are concerned, bids are currently under evaluation. The Committee hope that the pilot projects would commence expeditiously followed by launching of the scheme on the full scale.

## **Action Taken by the Government**

As regards support of USO Fund for mobile charging stations in 5000 villages through TERI project of Lighting a Billion Lives (LaBL), the Agreement with TERI is likely to be signed in February. As per the roll out condition, mobile charging stations in 5000 villages shall be set up in a phased manner in the next two years.

For the Pilot Projects to establish the technical feasibility and financial viability for solar/solar-wind hybrid renewable energy systems in shared mobile infrastructure sites in rural/remote areas, the numbers have been revised to 28 to include the north eastern states. The work order shall be awarded soon after evaluation of bids.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### **Recommendation (Para No. 22)**

The Committee note that the Plan outlay BE & RE of TRAI during the year 2008-09 was Rs. 10 crore, out of which the actual expenditure was Rs. 3 crore. Similarly, during 2008-09, the approved non-Plan RE for TRAI was Rs. 24.80 crore. For the year 2009-10, the Plan and non-Plan BE provisions for TRAI are Rs. 10 crore and Rs. 24 crore respectively. Out of this Rs. 34 crore (Plan + non-Plan), Rs. 13.40 crore has been spent upto August, 2009 and TRAI is optimistic of spending the balance amount during the remaining period of the current fiscal. The Committee further note that the percentage of Plan expenditure during 2007-08, 2008-09 and 2009-10 (upto July, 2009) were 37.50 percent, 30 percent and 33 percent respectively. The Committee are disturbed to note the prevailing trend of under utilization of Plan Outlays. They, therefore, recommend that measures be taken for optimal utilization of Plan Outlays so that TRAI is able to carry out its avowed objectives and meet the fresh regulatory challenges as an effective and proactive regulator.

### **Action Taken by the Government**

The expenditure in TRAI is made out of the Grants received from the Budget Division of Department of Telecommunications (DoT) out of TRAI General Fund being maintained by DoT. After due appropriation made by the Parliament, the Grant approved for TRAI is transfer to 'TRAI General Fund' which is a non-lapsable fund. TRAI General Fund being a Public Account of the Government of India the unspent balance available at the end of financial year in this 'Fund' is carried over to the next financial year for future utilization.

### **PLAN FUNDS 2007-08**

There were two components under the 'PLAN' funds for the financial year 2007-08, namely, 'Institutional Capacity Building Project' and 'Purchase of Land & Building for TRAI Office'. An amount of Rs. 3.00 crore was transferred to TRAI General Fund under the component 'Institutional Capacity Building Project' and an amount of Rs. 5.00 crore was allocated/earmarked at 'RE' Stage under the head

'52750080004' for land and building of TRAI which was lapsable fund under the Head of Account '5275' of DoT. Out of these budgetary provisions for the year 2007-08, an amount of Rs. 3.25 crore was spent towards 'Institutional Capacity Building Project'. However, due to non-availability of land and building, in spite of the best efforts made in this respect to acquire land and building from land/building owning agencies, the amount of Rs. 5.00 crore towards 'Purchase of Land & Building of TRAI Office' could not be utilized and was thus surrendered.

#### **2008-09**

Similarly, for the year 2008-09, under the 'Plan' funds an amount of Rs. 3.00 crore was transferred to TRAI General Fund under the component 'Institutional Capacity Building Project' and an amount of Rs. 7.00 crore was allocated/earmarked under the head '5275008004' for land and building of TRAI which was again lapsable fund under the Head of Account '5275' of DoT. Out of these budgetary provisions for the year 2008-09, an amount of Rs. 3.60 crore was spent towards 'Institutional Capacity Building Project' out of the amount transferred to the 'Non-Lapsable' TRAI General Fund. Again during the year 2008-09, due to non-availability of land and building in spite of best efforts made to acquire land and building from land and building owning agencies, the amount of Rs. 7.00 crore towards 'Purchase of Land & Building' for TRAI Office could not be utilized and was thus surrendered.

#### **2009-10**

During the current financial year 2009-10, under the 'Plan' funds provisions for an amount of Rs. 10.00 crore; Rs. 3.00 crore for the Component 'Institutional Capacity Building Project' and the remaining amount of Rs. 7.00 crore for 'Purchase of land and building of TRAI Office; has been made for transfer to the 'Non-Lapsable' TRAI General Fund under the Head '32750080050'. Out of the provision relating to 'Institutional Capacity Building Project' funds will be utilized optimally during the current financial year itself. However, as regards the other component, i.e., 'Purchase of Land & Building for TRAI Office' the matter is actively being pursued with various land/building owning agencies for procurement of Land/Building and funds are likely to be utilized depending upon the outcome of the efforts and availability of land/building.

Thus, it may be seen from above, that due to non-availability of suitable land and building, the funds relating to one major component, namely, 'Purchase of Land and Building' during the year 2007-08 and 2008-09 could not be optimally utilized.

#### Note:

*The expenditure reflected during the period 2007-08 and 2008-09 include certain provisions for which payments were made in next year. Therefore, the actual 'payments' for expenditure made during the particular year were within the Budgetary Provisions and the amounts transferred to the TRAI General Fund.*

## **NON-PLAN FUNDS**

Out of the allocation of Rs. 24.00 crore under the 'Non-Plan' funds for BE 2009-10, only a sum of Rs. 23.75 crore has been received out of the 'TRAI General Fund'. Out of these funds, an expenditure of Rs. 19.79 crore has already been incurred upto 31<sup>st</sup> December, 2009 and the remaining will be utilized during the last quarter 2009-10.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### **Recommendation (Para No. 23)**

The Committee note that the Plan allocation during 2008-09 for TEC at BE stage was Rs. 10 crore which was reduced to Rs. 1.01 crore at the RE stage. The actual expenditure was only 0.80 crore. The Plan BE 2009-10 provides for an amount of Rs. 8 crore for setting up of Next Generation Networks (NGN) test lab and other activities. The reasons for reduction at the RE stage by Rs. 8.09 crore during 2008-09 has been attributed to the non-approval of the project for installation of NGN Test bid by Standing Finance Committee (SFC). However, the Committee have now been informed that the said project has been formally approved by the competent authority and the procurement process is likely to begin during the current financial year. The Committee are of the opinion that since TEC is engaged with many important projects such as technical and engineering specifications of new products, equipments, systems etc., DoT should ensure that the procedural impediments do not come in the way of TEC's optimal achievement of targets set for the remaining period of Eleventh Plan and especially 2009-10, including those intended to be carried out in the North-East Regions, thereby ensuring maximum utilization of the earmarked amount of Rs. 8 crore.

### **Action Taken by the Government**

The procurement activities have since been started and it is expected that the first phase of the project will be completed by end of the year 2010. In the absence of the approval of SFC, requirement of only Rs. 1 crore was projected in the RE for 2009-10, against the allocation of Rs. 8 crore. However, Rs. 8 crore have now been requisitioned in the BE for 2010-11.

The installation activities under the project for testing of broadband technology in the NE region have been completed with the installation of 40 terminals. It is expected that the payment of around Rs. 92.42 lakh will be released on receipt of bills. Further funds would be required for the space segment and for the maintenance, now onwards.

DoT may like to devise a 'fast-track' procedure to process the cases of TEC on priority, as desired by the Committee.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)



### **Recommendation (Para No. 24)**

The Committee observe that TEC has initiated a number of steps to achieve the physical targets fixed for the year 2009-10 which inter-alia includes defining the scope of constituent labs, detailing the requirement of equipments, identification of protocols for conformance, testing with reference to RFC/standard. The Committee appreciate the steps initiated by TEC, nevertheless, they are of the opinion that they should strictly monitor the steps taken by them so that the Outcome Budget of 2010-11 does not reflect any shortfalls in the stipulated targets.

### **Action Taken by the Government**

Though in the absence of approval of SFC, no expenditure could be made against the procurement of equipment; the infrastructural works were initiated, which are expected to be completed well before the equipment arrives.

All the activities are being monitored closely, for early completion of the project.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### **Recommendation (Para No. 25)**

The Committee note that the RE (GBS + IBR) for C-DOT during the years 2007-08, 2008-09 were Rs. 130.97 crore and Rs. 151.78 crore respectively and their corresponding expenditure was Rs. 131.89 crore and Rs. 134.29 crore. The BE for 2009-10 is for an amount of Rs. 345 crore (GBS + IEBR). The Committee further note that the percentage of achievement of the target fixed for projects/schemes under C-DOT during 2008-09 is stated to be 65 per cent. However, C-DOT are pursuing continuously to improve its processes to achieve higher performance in research and development activities. For the year 2009-10 many important MoUs have been signed for quick developmental responses to the policies of the Government regarding active sharing of Base Trans/Receive Systems and Base Station Controller Systems. The Committee while appreciating the steps taken by C-DOT to improve its achievements of the stipulated targets, recommend that C-DOT should lay greater emphasis on planning, monitoring and quality processes, so as to accomplish the set targets for the benefit of rural and remote areas.

### **Action Taken by the Government**

Actions have already been taken to implement the recommendations of the Committee, and it is summarized as follows.

C-DOT has, as part of its process to manage the projects, the following in place:

- For each project, to facilitate & maintain its progress, a Project Management team is constituted and this team is headed by a coordinator, who is a senior level staff; the team includes representatives from process groups of Planning, Monitoring and Quality Management. In addition, all group heads who are responsible for the delivery are also members of the Project Management team. The Project Management review is held regularly to review the progress.
- This is followed by Director level review meetings. Further, each project indicates a quality audit process to ensure that the development program progresses smoothly.
- SG-RAN (Shared GSM-Radio Access Network) is a project that develops base trans/receiver sub-systems & base station controller systems to provide affordable mobility on the basis of active sharing in rural/semi urban areas. For this project, there have been about 22 number of PMT level review meetings, 34 number of Director level reviews (which include project as well as technical review), 3 number of reviews by Member (Technology), DOT. In addition, 4 number of quality audit processes were also conducted for the project.
- This project is progressing well.
- All projects in C-DOT are submitted to similar project management, monitoring and quality audit checks.
- An amount of Rs.345 crore (GBS+IEBR) was approved for BE 2009-10 which has been revised to Rs.170 crore (GBS+IEBR) in RE 2009-10.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### **Recommendation (Para No. 26)**

The Committee observe that C-DoT during the 2007-08 have raised Rs. 22.4 crore as the internal resources against an anticipated amount of Rs. 31.97 crore and during the year 2008-09, the amount raised was Rs. 26.71 crore against the planned internal resources of Rs. 29.96 crore. The Committee note that the revenue generation target for the remaining period of the Eleventh Plan as projected by C-DOT is Rs. 278.36 crore. Some of the steps envisaged by C-DOT during the remaining period of the Eleventh Plan inter-alia includes putting up technology projects for commercialization after necessary trials by using transfer of technology/Royalty model, technology based on concept of develop, build and operate application. Other areas that have been identified by C-DoT include undertaking software intensive solution for operators and service providers on turnkey basis and third party technologies as well as technical consultancy and Intellectual Property Rights. The Committee hope that in view of the extent of budgetary allocation for C-DOT and nature of research and development that it undertakes, they will take all appropriate measures to realize the projected amount during the remaining part of the Eleventh Plan so that the premier Research Centre is able to meet its revenue generation target and develop total telecom solution technologies and applications for the benefit of the masses.

## Action Taken by the Government

Vigorous efforts are already ongoing to achieve the plan target for internal resources for the balance period of the 11th Five Year plan. These efforts include different commercialization methods to augment internal revenue / resources, include ToT/Royalty model, direct solution provisioning, ASP (Application Service Provisioning), turn-key solution, field support receipts / technology adaptations, collaborative R&D for co-branding, sponsored development and consultancy etc. The following facts may help to appreciate the efforts undertaken towards realizing the internal revenue plan in the forthcoming period.

- Network management system, software intensive application inducted in the network as direct solution provisioning.
- C-DOT Clearing House Application running under ASP model to provide services to BSNL & MTNL generates revenue on monthly-basis.
- ATM technology adaptation is being executed & deployed on-board Indian Navy ships on commercial basis. Tripartite agreement had already signed between C-DOT, M/s BEL and Navy towards the same.
- Regular field support on commercial-basis is provided to M/s BSNL, MTNL for the C-DOT legacy fixed-line system deployed in the network.
- C-DOT Intelligent Network (IN) technology developed in the network of MTNL, Mumbai & Delhi, is being provided with annual maintenance contract (currently under review by MTNL) which is also a source of internal revenue of C-DOT.
- Due focus will be given on value-addition to the existing technology; one such product, Missed Call Alert System (MCA), is being sold on commercial-basis.
- Due focus is being given in the commercialization of technology, which require mass-scale deployment in the urban to provide broadband connectivity as well as help in providing next generation packet-technology services, provisioning mobile service at low CAPEX in rural sector and give impetus to the manufacturing-base in the country. These technologies have been identified as GPON (Gigabit Passive Optical Network) for broadband connectivity, Shared GSM Radio (SG-RAN) for rural mobile services' provisioning, MAX-NG for migrating fixed-line to packet technology. Vigorous efforts are ongoing for product ionization of GPON, SG-RAN, Line Access Gateway (LAG), router, Media and Signaling Gateway using transfer of technology / contract manufacturing etc., exploiting the best possible options available. Revenue from this commercialization of technologies will significantly improve the internal revenue generation / resources.
- A significant step towards improving the internal resources shall be from the vigorous efforts being undertaken to maximally realize the outstanding dues.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### **Recommendation (Para No. 27)**

The Committee note that Rs. 5.00 crore has been provided from the Plan Outlay for setting up of Telecom Testing and Security Certification Centre for the year 2009-10. Presently, TETC is focusing on setting up testing methodologies and also for arriving at the standards for Security Certification and have studied the available security standards for the country. The Committee further note that at present, there are no readymade standards for evaluation and testing of telecom equipment from security angle. However, TETC has already completed a comprehensive survey of available standards including the Common Criteria and FIPS 140, BS 7799 and ISO/IEC 27001 for information security and compared their merits and demerits and the practices being followed in various countries. Their testing methodologies and the criteria adapted have also been studied. The Committee appreciate the steps taken by the Department for formulation of necessary security standard for the country. They are of the opinion that DoT should ensure that there are no financial and administrative hurdles in implementing this project especially taking into consideration the importance of National Security.

### **Action Taken by the Government**

For funding this project, a capital expenditure of Rs. 20 crore has been envisaged. Department of Telecom has already released Rs. 8 crore and have posted one Director level Officer from DoT and two Engineers from C-DoT dedicated to this project.

TETC has spent Rs. 1.1 crore and have commitment for Rs. 1.30 crore this year and, thus, they have about Rs. 5.6 crore in hand for carrying out this project.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### **Recommendation (Para No. 30)**

The Committee are concerned to note that the outstanding arrears as on 31<sup>st</sup> March, 2009 for CMTS was Rs. 672.88 crore and for the Basic Services it was Rs. 3466.12 crore. The Committee note that various measures have been taken by BSNL to collect the outstanding arrears such as launching of new recovery schemes through experienced recovery agencies and extension of discount schemes for liquidation of dues by the defaulters. Further, periodic and stringent monitoring is being done to realize/liquidate the outstanding amount. Further, the State Governments have been requested to amend their respective land revenue acts so that dues of BSNL can be recovered as land revenue arrears from the defaulters. Procedure for settlement of defaulter cases through Lok Adalat has been introduced for recovery of outstanding telephone dues in respect of permanently closed connections. While noting that these are steps in the right direction, the Committee impress upon BSNL to resort to all possible measures to recover the outstanding dues as the Company can ill afford to ignore more than Rs. 4000 crore. Such appropriate measures are more warranted in view of BSNL's precarious financial health to carry out its rural telephony obligations.

## Action Taken by the Government

### Wireless Segment

The outstanding of Rs.672.88 Crore as on 31.03.2009 in respect of Cellular subscribers has come down to Rs.548.60 as on 30.11.2009 (i.e. reduction of Rs.134.28 Crore (19.96%) during the period 01.04.2009 to 30.11.2009).

The year- wise break up of above Rs.548.60 Crore outstanding as on 30.11.2009 is as follow:-

Period	Amount O/s Crore of Rs.	% of outstanding to amount billed
2002-03 to 2004-05	214.78	7.29%
2005-06 to 2006-07	180.20	3.97%
2007-08 to 2008-09	153.62	3.31%

Apart from regular measures for reduction of outstanding of Cellular services, the following additional initiative has been taken:

- i) Incentive scheme for employees of BSNL for recovery of old outstanding dues.
- ii) Monitoring of Circle-wise high value outstanding and fixing a target for Circles that there shall be no outstanding cases of more than 3 months old with an amount of Rs. 1 lakh and above.
- iii) Filing of legal cases wherever the outstanding is more than Rs.25000 and whereabouts of the defaulter is known.
- iv) Pursuing through State Police authorities wherever the defaulters are not traceable.
- v) Special drive for realization of old outstanding by conducting special camps in SSAs/ Circles.

### Wireline Segment:-

As a result of various measures taken for recovery of outstanding dues, the outstanding of Rs 3466.12 Crores as on 31.03.2009 in respect of Basic Services (including WLL,PCOs, VPTs and ISDN) has come down to Rs.2839.27 Crores as on 30.11.2009 (i.e. reduction of Rs.626.85 Crores (18.09%) during the period 01.04.2009 to 30.11.2009).

The year wise break up of above Rs.2839.27 Crore outstanding as on 30.11.2009 is as follows:-

Period	Amount O/S in Crore
Upto 1999-00	281.94
2000-01	150.37
2001-02	180.79
2002-03	171.15
2003-04	222.31
2004-05	235.95
2005-06	298.17
2006-07	409.85

2007-08	418.42
2008-09	470.32
Total	2839.27

The outstanding amount (Rs. 2839.27 Crores) for the period up to 31.3.2009 as on 30.11.2009 is just 1.11% of the Cumulative Amount billed for from 1990-91 to 31.3.2009 i.e. about 99% settlement.

Apart from the measures being taken for recovery of outstanding as mentioned in the Para 30 of 4th Report of Standing Committee, the following additional initiatives have been taken for reduction of outstanding of Basic services.

- i) Yearly targets for liquidation of outstanding dues for different billing periods for each Circle/Metro District are fixed and performance thereof is reviewed regularly.
- ii) Legal proceedings wherever required are initiated against the defaulters for recovery of dues.
- iii) Incentive scheme for employees of BSNL for recovery of old outstanding dues has been introduced.
- iv) Special drive for realization of old outstanding from defaulters has been launched.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### **Recommendation (Para No. 31)**

The Committee are constrained to note the increasing trend of surrender of BSNL telephone connections under WLL and mobile category. Under WLL the number of surrender of telephone connections has increased from 7,21,613 during 2007-08 to 9,24,650 in 2008-09. Similarly under the mobile segment the said number has increased from 4,942,039 to 7,378,137. Under the third category i.e. land line, the surrender number has slightly improved from 4,409,718 to 4,313,181. Instead of taking any effective action to reverse the trend of surrenders, BSNL has tried to justify the position by stating that surrender of mobile connection is a country wide phenomenon for all service providers and not specific only to BSNL. The Committee disapprove the way BSNL has reacted on one of the serious observation of the Committee regarding surrender of telephone connections. The Committee find that today there are various choices before the customers and they opt only those service providers who give the best service. The Committee strongly feel that there is an urgent need to conduct an independent study to know the precise reasons for surrender of BSNL telephone throughout the country. Once the reasons are identified concrete action should be taken to arrest this trend of surrender of telephones.

## Action Taken by the Government

### Wireless Segment

#### i) GSM Mobile

During F.Y. 2007-08, BSNL had added net 8.78 Million GSM connections and during F.Y. 2008-09 BSNL was able to achieve around 10.5 Million net GSM connections i.e. around 20% increase in GSM connections is achieved during 2008-09 over the achievement of F.Y. 2007-08. This increase in the GSM connection is after offsetting the subscribing churning out. During F.Y. 2009-10, BSNL has provided 12.66 Million net GSM connections upto 31<sup>st</sup> January, 2010.

#### ii) WLL

During financial year 2007-08, BSNL had added 10,21,469 WLL connections and during financial year 2008-09, BSNL was able to achieve 8,55,308 WLL connections. This increase in WLL connections is after offsetting the subscribers churning out.

Preliminary, following factors may have attributed to the surrender of telephones:-

- a) Aggressive sales and marketing by competitors.
- b) Low prices by new operators could attract marginal customers.
- c) Very high trade discounts by competitors in the channel.
- d) Capacity constraints in some zones.

Following steps have been taken to retain the existing customers and acquiring new customers:

- Exclusive sales units have been formed in the field units and various steps have been taken to motivate various channels of distribution for increasing sales.
- Matching and innovative tariff plans and other subscriber friendly schemes are being launched by BSNL.
- Aggressive promotional tariff for 3G.
- Post paid plans have been rationalized.
- Special Vouchers offered to bring back the customers.
- About 7.25 lakh disconnected WLL numbers converted to Pre-Paid.
- Product bundling and trading arrangements with TMS, Nokia, Dell and M/s. Olive finalized. Arrangements with FLY Mobile are under process.
- Marketing arrangements with M/s. National Fertilizers Limited is in pipeline.
- Proposal with Department of Post (DoP) for utilizing rural Post Offices is under process.
- Improving mobile coverage by expansion of existing network and covering the new areas.
- Focused marketing campaigns initiated

Regarding the observation on need to conduct a survey, it is stated that BSNL has initiated to identify the agency to conduct the market survey and find the precise reasons for surrender of telephone of BSNL. The result of the survey shall be communicated in due course of time.

### Wireline Segment

An independent study was carried out through market research by M/s IMRB to identify the reasons for surrender of WLL and landline telephones. M/s IMRB submitted a detailed report of its findings to BSNL Corporate office in January 2009. The main reasons were identified as:

- (i) Increased usage of mobile phones,

(ii) Prolonged breakdown of service due to various reasons like road widening, cable thefts, cable faults, etc.

(iii) Poor customer care, billing problems, etc.

### **Efforts made to arrest the surrender**

BSNL is making all out efforts to retain landline customers and increase their utility by providing several Value Added Services including broadband services, IPTV services, Video phones and Video Conferencing services etc. All out efforts are being made for modernization of landline network like induction of new IP Based NGN (Next Generation Network) switches, inductions of converged customer care and billing platform, provisioning of new services at affordable prices, making available of latest CLIP phones, introduction of various attractive tariff plans & improved marketing strategies, rigorous monitoring of Quality of Service parameters as defined by TRAI etc., up-gradation of the external plants and extending connectivity through OFC and copper cables to new upcoming colonies to provide landline telephones on demand in all upcoming areas.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### **Recommendation (Para No. 32)**

The Committee note that specific actions are being taken by BSNL provide quality telephone service to its customers in Wired, WLL and CMT service as well as in Internet and Broadband Services to ensure performance as per the quality of service parameters prescribed by TRAI. The Committee also note that steps have been taken to further improve the quality of basic service which inter-alia include monitoring of quality of services, introduction of Internet Protocol base switches in Phased manner, poleless activity in outdoor network by replacing drop wire with 5 Pair Cable, interactive voice response system based on centralized fault booking system and rehabilitation of external plant by dressing MDFs, Pillars and DPs and replacing of life expired telephone instruments. The Committee also note that BSNL has empanelled four Professional Media agencies for adopting innovative marketing strategies through advertisement in Electronic Media TV channels for building the brand as well as service/products. Another important step that has been taken by BSNL is the pilot project through 3G Experience Centre which was launched in the month of July, 2009. While taking note of the steps being taken by BSNL the Committee feel that a lot still needs to be done. They, therefore, recommend that BSNL should continuously strive to leverage its quality of service to its customers, including those in rural areas by strictly following the measures which have been apprised to the Committee for the betterment of quality of services.

### **Action Taken by the Government**

#### **Wireless Segment**

BSNL is continuously striving to not only maintain but improve the quality of its GSM (Global System for Mobile Communications) based cellular mobile telephone services. Apart from regular activities, following specific steps has been taken by BSNL in recent past:-



- To provide a significant push in 3G sales, a new 3G Leads Management System (LMS) tool has been implemented. It enables capturing of 3G leads and follow up to conversion in to actual connection.
- In-house 3G Expansion zones within Customer Service Centers are being planned and established.
- SMS based BTS (Base Transceiver Station) Outage escalation has been implemented for automatic reporting of the outage of BTS to the concerned maintenance staff.
- Postpaid Bill payment through SMS named CBP-CT (Cellone Bill Payment through C-Top-up) is being to help customers for bill payment through nearby retailer's shops.
- In Call Centers three tier arrangements have been implemented to give preferential treatment to Post-paid customers/ Franchisees/ Commercially Important Customers (CICs)/ 3G Customers/ Black Berry Customers/ Corporate users.
- Recharge facility for Pre-paid subscribers has been improved by providing all India recharge through C-Top-up, BSNL portal and also from overseas.
- Synchronization of the network elements has been initiated to further improve the Quality of service.

### **Wireline Segment**

As per the recommendation of the Standing Committee, close monitoring of all actions finalized for improvement in QoS in all areas including the rural areas is being taken.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### **Recommendation (Para No. 36)**

The Committee note that MTNL have miserably failed to check the negative growth trend of the land line telephone connections during 2008-09 as is evident from the date of the net landline connections surrendered in Delhi and Mumbai which were - 45993 and - 66,118 respectively as on 31<sup>st</sup> March, 2009. The Committee further note that during 2008-09, 95,924 and 26,748 Dolphin Mobile Connections in Delhi and Mumbai respectively were surrendered. Regarding measures proposed to nullify the negative growth in fixed line, MTNL is planning to take various initiatives which include (i) introduction of class V NGN/IMS based services, (ii) increase in penetration of Broadband on ADSL 2 + technology and (iii) provisioning of value added services like CRBT on fixed lines etc. For mobile connection, MTNL has taken certain measures viz. launching of New 3G Services, installation of additional BTSs to improve the network coverage etc. The Committee hope that with all these measures MTNL will be able to arrest the negative growth in landline and mobile connections. The Committee would await the impact/result of the measures taken by MTNL.

### **Action Taken by the Government**

MTNL would request the committee to appreciate the rationale for the reasons provided by the MTNL for the surrender of landline and mobile phones. The Committee may also consider the fact that MTNL being a regional operator with services in only Mumbai and Delhi can not afford to offer very low NLD rates compared to its competitor having an all India presence. As MTNL has to pay carriage charges and terminating charges to the NLD and terminating operators respectively MTNL could not offer very attractive unlimited plans in NLD areas in line with its competitors.

Despite of above constraint and being a late entrant in the GSM segment MTNL has been able to create a market share of about 17 % in the cellular segment in the two cities. MTNL mobile subscriber base has grown to more than 45 lakhs with approx 2.00 lakhs 3G customers as on Dec 09. These 3G customers have been added in a very short span of time since full fledged commercial launch of 3G services in Sept 09. It is reiterated that MTNL is very serious about its GSM business and will make all efforts to sustain this growth.

Further MTNL is confident that the implementation of the initiatives like introduction of Class V NGN / IMS based services, Increase in penetration of Broadband on ADSL 2+ technology and provisioning of value added service like CRBT on fixed lines etc would make landline phones more attractive and will reduce the number of surrenders significantly.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

#### **Recommendation (Para No. 37)**

The Committee note that several measures have been initiated by MTNL to provide better quality of service to its customers. Some of these measures inter alia include improvement in network, digitalization of all exchanges, reduction of fault rate and MTTR, addition of BTS for cellular services, proposal to add 200GSM & 291GSM towers for Delhi and Mumbai respectively, opening of Sanchar Haat, Customer Services Centre, appointment of Dealers and Agents as well as special care of Corporate Customers. The Committee, however, are of the opinion that a lot needs to be done to improve the quality of services especially in cellular connectivity. The Committee hope that MTNL would put all their energies and would effectively carry out the measures to ensure better quality of services which would enable the PSU to complete in the telecom market.

#### **Action Taken by the Government**

MTNL takes measures, on continuous basis, for improvement of its QoS, which includes improvement in network, digitization of all exchanges, reduction of fault rate and MTTR, addition of BTS for cellular services, proposal to add 200 GSM and 291 GSM towers for Delhi and Mumbai respectively, opening of Sanchar Haat, Customer Services Centers, appointment of dealers and agents as well as special care of Corporate Customers.

In this regard, following is submitted:

1. MTNL's network is fully digital. For improvement in landline network, since April 2009 MTNL has rehabilitated more than 700 pillars and more than 33,000 DPs in its network. Further, upgradation / punching of 1,600 MDF tag blocks, more than 3,900 Km of drop wires made joint less and more than 57,000 old telephone instruments replaced since April 2009. The work of rehabilitation and upgradation is a continuous process and results in reduction in fault rate and MTTR.
2. In GSM, core network capacities have been enhanced / added and optimization of BSS network based on traffic and other network data has been done. Further, MTNL has implemented Intelligent Optimization Solution (IOS) to further optimize the network to achieve better QoS.

Further, MTNL has proposed addition of 200 & 291 GSM BTS for the year 2009- 10 in Delhi & Mumbai respectively.

3. In MTNL, 173 Sanchar Haats / Customer Service Centers (CSCs) are operational. Efforts are being made to further increase Sanchar Haats / CSCs.
4. MTNL has wide network of dealers and agents for sale and promotion of MTNL products. With innovative schemes of MTNL and its dealers / agent's network, MTNL is able to reach the 3G subscriber base of approx 2,00,000 as on date within a span of less than one year since its commercial launch.
5. MTNL has already well-established network for taking special care of its Corporate Customers. General Manager level are taking care of all the needs of the corporate customers in MTNL corporate office and field units.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

#### **Recommendation (Para No. 39)**

The Committee's attention has been drawn to various issues regarding allocation of spectrum. In view of the need to examine these issues in the proper dimension the Committee will deal with the subject separately.

#### **Action Taken by the Government**

Hence, when the issue is dealt separately by the Standing Committee of Information Technology, necessary action will be taken.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### Recommendation (Para No. 41)

The Committee are constrained to note that a large number of service providers are stated to be defaulters regarding issuing of SIM cards to the subscribers who are not giving their correct identities to avail the use of SIM cards. The Committee also note that as on date a penalty of Rs. 42.77 crore have been imposed on the defaulting service providers i.e. namely Bharat Sanchar Nigam Ltd, Bharati Airtel Group of Companies, Reliance Communications Ltd., Vodafone Group of Companies, Tata Group of Companies, Idea Group of Companies, Dishnet Group of Companies, Mahanagar Telephone Nigam Ltd., Spice Communications Ltd., Reliance Telecom Ltd., BPL (now Loop Mobile India), HFCL Infotel Ltd., and STL (now Sistema Shyam Telelinks Ltd.). The Committee feel that the national security should be given utmost Importance and DoT should ensure that stringent actions are taken against the defaulters to curb the menace especially in the militants/insurgent affected areas so that the country can be guarded against the probable risk of threat/attacks from them.

### Action Taken by the Government

1. It was decided in DoT to impose minimum financial penalty of Rs 1000/- per violation of subscriber number verification if any number found working without proper verification after 31<sup>st</sup> March 2007. Accordingly minimum financial penalty @ Rs 1000/- per unverified subscriber is imposed on service providers till 31<sup>st</sup> March 2009.
2. In spite of provisions / instructions regarding subscriber verification, it was observed that service providers were not complying with the requirement of subscriber verification fully. The matter was reviewed and it was decided to take action which works as deterrent. Accordingly, a scheme of penalty for subscriber verification failure cases at graded scale as per detail below was introduced w.e.f. 1<sup>st</sup> April 2009.

Correct subscriber verification percentage	Amount of financial penalty per unverified subscriber
Above 95%	Rs.1000/-
90%-95%	Rs.5000/-
85%-90%	Rs.10000/-
80%-85%	Rs.20000/-
Below 80%	Rs.50000/-

As a measure to take deterrent action, the Department has started imposing prescribed graded scale penalty with effect from 1.04.2009. The detail of graded scale penalty imposed on the service

providers so far for the period from April 2009 to 2009 operating in Jammu & Kashmir, Assam, Haryana, Chennai Metro and Mumbai Service Areas is as under :

Month/ Service Area	J & K	Assam	Haryana	Chennai Metro	Mumbai	TOTAL
MTNL					15.75	15.75
BSNL	148	7.33	1.42	0.61		157.36
Bharti Airtel Group of Companies	533.4	90.82	2.34	21.47	39.47	687.5
Reliance Communications Ltd.	0.83		394.1	1.06	41.11	437.1
Reliance Telecom Ltd.		18.4				18.4
IDEA Group of Companies			6.88		70.2	77.08
DISHNET Group of Companies	22	58.6		39.35	0.1	120.05
VODAFONE Group of Companies	24.9	1.36	59.55	1.03	26.15	112.99
SPICE Communications Ltd.						0
TATA Group of Companies	9.05	0.06	9.57	0.11	1.75	20.54
HFCL Infotel Ltd.						0
BPL (now Loop India Ltd.)					1.62	1.62
STL (now Sistema Shyam Telelinks Ltd.)						0
<b>TOTAL</b>	<b>738.18</b>	<b>176.57</b>	<b>473.86</b>	<b>63.63</b>	<b>196.15</b>	<b>1648.39</b>

Such an amount of financial penalty acts as a deterrent for improper verification.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

## CHAPTER III

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

#### Recommendation (Para No: 6)

During the course of examination of Demands for Grants of the previous year, the Committee were apprised that the actual expenditure during the entire Tenth Five Year Plan was Rs. 40959.96 crore. Now during the course of examination of Demands for Grants of the current year, utilization position during Tenth Plan has been stated to be as Rs. 44913.84 crore. The Committee are unable to understand how the expenditure as indicated during the year 2008 with regard to utilization status during the Tenth plan could change now, particularly when the Tenth Plan was over on 31<sup>st</sup> March, 2007. The Committee would like Department to clarify the position in this regard.

#### Action Taken by the Government

The expenditure during the Tenth Five Year Plan was Rs. 44913.84 crore. The utilization status during the Tenth Plan was changed from Rs.40959.06 crore to Rs. 44913.84 crore after final audited figures were furnished by PSUs viz. BSNL & MTNL.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

#### Recommendation (Para No. 38)

The Committee note that during 2008-09 BE, barring a provision of Rs. 6.50 crore as compensation to ITI, no fund was earmarked. However, under 2009-10 B.E., a sum of Rs. 2820 crore has been provisioned in the non-Plan budget for financial restructuring as a part of revival of ITI. A budgetary support of Rs. 1 crore has been provided under the plan outlay for the year 2009-10. The Committee further note that ITI to upgrade the existing infrastructure and to diversify the product range has plans in areas relating to artillery fuses for Defence electronic surface and Tactical Communication Services, manufacture of Low Cost High Volume Customer Premises Equipment for ADSL & Wi-MAX, banking automation products etc. The Committee hope that the financial restructuring of the company and its own effort to upgrade and diversify the product range would help ITI to survive and turn around. The Committee would like to be apprised of the latest position of the revival of IT.

#### Action Taken by the Government

Initiatives taken by ITI for revival and the current status are given below

The Cabinet Committee on Economic Affairs (CCEA) in their meeting on 23-02-2009 had approved a sum of Rs 2820 crore to ITI as a part of Revival package for discharging the liabilities of the Company to clean up the balance sheet and is to be used for specific purposes. The money was released to ITI in the month of August 2009. The details are as follows:

Money received to discharge the liabilities of the Company to clean up the balance sheet

Sl. No.	Details	Value (Rs. Cr.)
1	Term Loan guaranteed by Gol	403.00
2	Short Term Loans	300.00
3	Floating Rate Bonds	390.00
4	Credit Limit (exhausted)	893.00
5	Letter of Credit (utilized)	523.00
6	PF / Gratuity / Others	199.00
7	Interest Liabilities on Cash Credits & Bonds	112.00
	<b>Total</b>	<b>2820.00</b>

The funds were utilized / being utilized for the purpose that was sanctioned.

During 2010-11, ITI has targeted a turnover Rs 8000 crore with which ITI hopes to achieve a break even. Upgradation of the infrastructure at various plants of ITI is required to introduce new products and to take up contract manufacturing jobs. However, due to financial constraints, ITI is unable to arrange from internal resources funds for the Capital investments and hence a budgetary support of Rs 28 crore has been requested from the Government through Planning Commission for the year 2010-11.

ITI is aggressively pursuing to address e-governance plan of the State Governments and also Accelerated Power Development & Reforms Programmes (APDRP) of Government of India. ITI is confident of securing orders for these projects at least in few States. As far as diversified products are considered, ITI is already manufacturing Banking Automation products at Mankapur plant and Defence products at Bangalore plant. ITI has a unique distinction of supplying Encryption / Secrecy equipment meeting almost all the requirements of Defence. ITI is making efforts to get major Defence orders like Defence Communication Networks (DCN), ASCON Phase IV etc.,

ITI R& D at Bangalore has initiated action to develop Wi-MAX CPEs based on reference design of chipset vendors. The development requires investment and in view of the financial constraints ITI is unable to proceed further.

ITI is one among the consortium of three PSUs selected for the execution of prestigious MNID / NPR project of the Central Government. The manufacturing of the Smart cards and execution of the project is being taken up Palakkad plant. Work on collection of data has already started in the coastal villages of Kerala State.

ITI has already established Tier 3+ Data center at Bangalore plant on Public-Private Partnership model. Marketing efforts are in place to garner sizeable business and a substantial market share is expected from Government Organizations, Public Sector Banks and other PSUs.

As a part of Revival package, CCEA has also approved formation of three Joint venture companies by ITI. Accordingly, ITI has released notification on 30.10.2009 calling for bids from strategic partners with majority equity participation for formation of JVCs. The last date for submission of bids is 09.02.2010.

The product line and the locations selected for formation of JVCs are as follows:

1. WI-MAX Base-station trans-receiver equipments and associated customer premises equipments at Rae Bareli.
2. G-PON / GE-PON and Optical transmission equipments at Naini.
3. IP CORE Systems at Bangalore.

The product lines are chosen in tune with the requirement of Government's "Mission Broadband to All" with an ambitious goal of providing 100 million Broadband connections in the next 3 to 5 years. It is hoped that JVCs would commence production in about a years' time and expected to have a good turnover.

The amount of Rs 2820 crore received for reducing financial liabilities and cleaning of balance sheet has resulted in reduction in the Finance cost.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)



## CHAPTER IV

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

#### Recommendation (Para No. 3)

The Committee note that during the Tenth Plan there was under spending of the total outlay to the tune of Rs. 26433.14 crore as compared to the RE allocation of Rs. 71346.98 crore (IEBR + GBS). In terms of percentage, the said under spending was 37.35 percent. The trend of under spending persists during the Eleventh Plan also. During the first year of the Eleventh Plan the under spending under IEBR + GBS, as compared to the RE allocation, was to the tune of Rs. 7625.26 crore i.e. 47.54 per cent. Again during the year 2008-09, the position slightly improved and the under spending was of the order of Rs. 7486.16 crore i.e. 37.52 per cent of the allocation provided at the RE stage. The aforesaid data clearly indicates the extent of unrealistic projections on the part of the Department. The Committee have consistently been raising this issue in their earlier reports. In spite of that, the trend of underspending utilization is compared to the total projected outlay. During the Eleventh Plan, the projections for the five years are for Rs. 91,333.57 crore (IEBR + GBS). The actual expenditure during the first two years of the Plan period is just Rs. 20878.12 crore which is around 22 per cent of the total projection for the Eleventh Plan. Thus with this pace of utilization, only half of the projected outlay would be utilized during the Eleventh Period. Time and again when the issue was raised in the earlier Reports of the Committee, the Department's stand has been that the underspending is due to less than anticipated expenditure of two PSUs i.e. MTNL and BSNL, for whom the major part of the outlay accounts for. The detailed reasons for the inability of these PSUs in utilization of outlay effectively as enumerated during the course of examination of Demands for Grants are ambitious targets for overseas acquisitions which could not materialize, non-release of full payment due to some pending points/features in case of MTNL, the slashing down of outlay as a result of realistic and optimal planning in case of BSNL. The aforesaid scenario clearly indicates that there are unrealistic projections by the PSUs under the administrative control of the Department. There is an urgent need to review the situation and adopt the scientific planning and management techniques, so that the other important projects do not starve for resources due to the inefficiency of the PSUs to project realistically and spend the outlay effectively. The Department should take all the required steps to correct the situation in this regard. The Committee need to be apprised of the concrete action taken in this regard.

#### Action Taken by the Government

Due care has been taken that the projections are done optimally so as to ensure a robust & secure telecom network in the country. Since the major part of the plan outlay is on account of the telecom PSUs which operate in a highly competitive sector necessitating frequent reworking of strategies in consonance with the market conditions, mid-course corrections are inevitable. Strict monitoring is being done to ensure that the units are able to achieve the targets set forth in the Eleventh Plan and also in the Annual Plan 2009-10.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

## **Comments of the Committee**

**(Please see Para No. 8 of the Chapter I)**

### **Recommendation (Para No. 4)**

During the year 2009-10, the proposed allocation IEBR + GBS, was for Rs.17334.80 crore and the allocation made at BE state was for Rs. 16216.02 crore. Examination of Demands for Grants during October/November of the year has provided the Committee an added advantage of reviewing the status of utilization of outlay during the first and second quarters of the year. In this regard, the Department furnished the data of utilization of outlay upto July, 2009. During the first four months of the year, the expenditure was to the tune of Rs. 3348.53 crore i.e. 20.65% of the outlay, which is far below the proportionate utilization that should have been made to ensure cent percent utilization status. The Committee exhort the Department to take all the desired initiatives to ensure that at least during the third year of the Plan period, the utilization turn cent percent.

### **Action Taken by the Government**

The expenditure up to December 2009 was to the tune of Rs. 8401.08 crore i.e. 51.81% of the outlay. The progress regarding fund utilization is being carefully monitored through regular reviews at the highest level of the Department for optimal utilization of the plan outlays.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

## **Comments of the Committee**

**(Please see Para No. 8 of the Chapter I)**

### **Recommendation (Para No. 10)**

The Committee further note that National e-Governance Plan is the flagship programme of the Government which is expected to change the entire concept of implementation and system of Governance in the country. The various components of e-Governance like SWAN, SDC, CSC etc. are dependent on the broadband connectivity. The lack of wide spread availability of broadband connection is the main hindrance in implementation of the e-Governance Plan. The Committee feel that BSNL being the public sector service provider has immense responsibility in this regard particularly in the difficult areas. The Committee note that on the issue of Wi-MAX/VSAT action is being taken for their deployment in the villages. The Department should take up the matter with BSNL on a priority basis so that various components of e-Governance do not face the problem of connectivity. The concrete steps taken in this regard should be communicated to the Committee.

### **Action Taken by the Government**

BSNL is executing many programmes of e-governance of the government of India under various ministries like connectivity of all colleges and universities under National Mission for Education-a project of Ministry of HRD, connecting CGHS dispensaries and primary health centers under Ministry of Health,

providing connectivity to RTO offices across various states etc. BSNL is executing two projects under Department of Information Technology. The details are as follows:

### 1. Common Service Center project

This is a project wherein BSNL was entrusted with the responsibility of providing Broadband coverage to around 1 lakh CSCs to be established across various states. Individual state governments were entrusted with the responsibility of selecting Service Centre Agents who are supposed to establish the Common Services Centers in the rural areas. The ratio comes to almost one CSC per 5-6 villages. BSNL has committed to provide coverage to almost 94000 CSCs. The details are as follows:

#### a. Status Report as on 20/2/2010

S.No.	Technology	CSCs Planned	CSCs covered
1	ADSL2+	30217	27895
2	Wi-MAX	62151	5061
3	EVDO	2078	671
4	DSPT	524	2
<b>Total</b>		<b>94970</b>	<b>33629</b>

Total no. of CSCs under various technologies may change slightly, once commissioning of Wi-MAX progresses.

#### b. Funding

The project has been funded by DIT to the tune of 50% of the cost of equipment of ADSL2+ & Wi-MAX. The details are as follows:

##### i. ADSL2+

Total Investment Rs. 340 Crores

Funds Committed Rs. 170 Crores

Funds Received Rs. 170 Crores

##### ii. Wi-Max – Phase I

Total Investment Rs. 365 Crores

Funds Committed Rs. 160 Crores

Funds Received Rs. 160 Crores

iii. Wi-Max – Phase II

Total Investment	Rs 1415 Crores (Est.)
Funds Committed	Rs 550 Crores
Funds Received	Rs 226.70 Crores

Additionally an amount of Rs 92.257 Cr has been sanctioned by DIT to various states for BSNL's connectivity for CSCs

**2. SWAN Project**

This again is a DIT's project wherein wide area networks are being established in 33 states and UTs. SWAN is planned as a converged network system for voice, video and data communication across a particular state/ UT and is planned to cater to the information & communication requirement of various government offices. Through SWAN, about 7500 Points-of-presence are being created. All state HQs, District HQs and block/taluka HQs are to be connected to these POPs. In SWAN, all the block Head Quarters and Tehsil HQs shall be connected to District HQs which in turn shall be connected to the State HQ through optical fiber network. This will enable data, voice and video communication between Government offices anywhere in the State. For this purpose, one Point of Presence (POP) is to be established in each Block/Tehsil/District HQ where the necessary equipments are to be installed. The Horizontal offices shall be connected to these POPs through wireless or wired line connections. Every POP will have UPS and Generator for power backup. A minimum bandwidth of 2 Mbps shall be provided at each Block HQ which will be scaleable in future. Once, the SWAN is established all the Government departments will not be required to establish individual Wide Area Networks. The implementation of the SWAN Project will improve the communication between Government to Government and Government to Citizens (G2C) and reduce the cost of communication substantially.

BSNL is the preferred bandwidth service provider for this project. The circuits are being provided by BSNL at concessional rates agreed upon with DIT. A large number of leased circuits have been provided by BSNL for SWAN and as it is an ongoing project so far, various circuits are given as soon as state governments book the same.

**3. Status of BSNL's Broadband Equipment**

**A. Wired-Line Broadband**

BSNL is vigorously pursuing the matter of Broadband coverage up to the village- panchayat level across the country. The coverage so far has been as follows:

S.No.	Name of Administrative unit	Total Number of Administrative units	Units feasible on wired line
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			<b>Broadband</b>
1	District Head Quarters	624	618
2	Tehsil HQ	3254	3020
3	Block HQ	6422	5446
4	Village Panchayats	242279	79924

**B. Wi-MAX**

BSNL is going in a big way for wide-scale deployment of Wi-MAX equipment across various circles.

**i. Rural**

<b>Project</b>	<b>Total BTSs ordered</b>	<b>Total BTSs integrated</b>	<b>Remarks</b>
Phase I	1000	507	Likely to be completed by March 2010
Phase II	6863	Nil	APO issued. P.O. is likely soon

**ii. Urban**

a. BSNL is installing Wi-MAX equipment in urban areas of Kerala & Punjab. Total 1600 BTSs are to be commissioned out of which P.O for 800 BTSs is released.

<b>Circle</b>	<b>Total BTSs ordered</b>	<b>Total BTSs integrated</b>
Kerala	450	52
Punjab	350	210

b. For 3 circles, namely, A.P., Gujarat & Maharashtra, BSNL has entered into franchisee agreement with M/s Soma Networks. Here, no. of BTSs are not fixed, rather umbrella coverage of the circles are to be ensured by the franchisee.

<b>Circle</b>	<b>Total</b>	<b>BTSs</b>
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	<b>integrated</b>
A.P.	25
Gujarat	33
Maharashtra	25

Total BTSs installed in these states are 83 for providing umbrella coverage.

- c. For another 16 circles, BSNL is processing EOI for franchisee revenue-sharing arrangement for Wi-MAX deployment in urban areas.

CSC coverage information as on February 2010

Sl. No	State	Covered					Total Covered	Planned							Total Covered & Planned
		CSCs	DSL	EVD O	WiMAX Phase I	DSPT		DSL	WIMAX-Phase-I	WIMAX-Phase-II	EVDD	DSP T	SDMA	Total planned	
1	A & N	85	9	0	0	0	9	23	0	0	0	0	0	23	32
2	AP	4471	2196	0	0	0	2196	0	1009	835	0	0	0	1844	4040
3	Assam	4220	801	32	415	0	1248	0	146	2532	199	0	0	2877	4125
4	Bihar	6558	1157	0	545	0	1702	65	775	4015	0	0	0	4855	6557
5	Chhattisgarh	3317	784	20	539	0	1343	50	55	1744	175	0	0	2024	3367
6	Daman & Diu	4	0	0	0	0	0	0	0	0	0	0	0	0	0
7	Dadra & Nagar Haveli	12	0	0	0	0	0	0	0	0	0	0	0	0	0
8	Gujarat	3035	1749	0	0	0	1749	0	109	211	981	0	0	1301	3050
9	HP	2939	853	148	135	0	1136	611	16	1104	13	59	0	1803	2939
10	Haryana	1136	804	0	74	0	878	31	88	137	0	0	0	256	1134
11	Jharkhand	4920	20	0	219	0	239	301	985	3320	0	0	0	4606	4845
12	J&K	1078	216	1	0	2	219	6	0	799	1	53	0	859	1078
13	Karnataka	4616	2767	1	0	0	2768	206	246	1306	1	0	0	1759	4527
14	Kerala	230	230	0	0	0	230	0	0	0	0	0	0	0	230
15	Lakshadweep	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16	MP	8754	1772	9	692	0	2473	679	461	5202	74	24	0	8440	8913
17	Goa	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	Maharashtra	6961	3258	53	0	0	3311	122	351	2464	24	0	15	2976	6287
19	Mizoram	119	10	0	0	0	10	15	21	61	0	0	0	97	107
20	Tripura	145	22	0	0	0	22	3	70	50	0	0	0	123	145
21	Meghalaya	973	54	0	0	0	54	23	26	500	0	0	0	549	603
22	Nagaland	215	44	0	5	0	49	2	105	47	2	10	0	166	215
23	Arunachal	649	80	5	39	0	124	79	47	218	0	181	0	525	649
24	Manipur	370	46	5	9	0	60	7	26	165	25	87	0	310	370
25	Orissa	7984	1006	362	0	0	1368	22	1484	4991	10	109	0	6616	7984
26	Punjab	2066	1733	0	247	0	1980	38	0	48	0	0	0	86	2066
							0							0	0
27	Pondicherry	15	15	0	0	0	15	0	0	0	0	0	0	0	15
28	Tamilnadu	2309	1005	2	0	0	1007	0	193	1020	5	0	0	1218	2225
29	Tamilnadu	278	139	19	0	0	158	0	12	85	17	0	0	114	272
30	Rajasthan	6678	1417	2	419	0	1838	562	0	4278	0	0	0	4840	6678
31	UP	12976	1520	0	535	0	2055	0	0	9576	0	0	0	9576	11631
32	UP	3477	988	0	404	0	1392	0	338	1747	0	0	0	2085	3477
33	Uttarakhand	2648	689	11	256	0	956	19	47	974	172	0	0	1212	2168
34	West Bengal	6376	2488	1	528	0	3017	253	14	2836	0	0	0	3103	6120
35	Sikkim	76	23	0	0	0	23	3	0	50	0	0	0	53	76
	Total	99690	27895	671	5061	2	33629	3120	6624	50315	1699	523	15	62296	95925

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

**Comments of the Committee  
(Please see Para No. 14 of the Chapter I)**

## **Recommendation (Para No. 11)**

The Committee note that New Telecom Policy, 1999 (NTP) envisaged provision of access to telecom services to all at affordable and reasonable prices. The resources for meeting the Universal Service Obligation (USO) are generated through a Universal Service Levy (USL), which is a percentage of the revenue earned by the operators under various licenses. Keeping in line with NTP' 99, the Universal Service Support Policy came into effect from 1.4.2002. In this regard, during the years 2002-03 to 2008-09 Rs. 25,331.35 crore were collected USL. With regard to the allocations made out of the USO fund to meet the Universal Service Obligation, the Committee note that during the aforesaid years, the final allocations was to the tune of Rs. 7971.44 crore i.e. 1/3<sup>rd</sup> of the collections made under USL. The Committee also take note of the fact that there was optimal expenditure of the allocations made under USL. During the course of examination of Demands for Grants, the Committee have been informed that reimbursement of licence fees, spectrum charges were granted to BSNL after its formation and an amount of Rs. 6,948.64 crore was adjusted from the USO Funds. Even if the aforesaid amount is deducted, the difference between the collections received and the final allocations made comes to Rs. 10411.27 crore. Taking note of the fact that various important activities which are being undertaken with the USO fund are VPTs, Share Infrastructure Mobile Service Schemes (2<sup>nd</sup> phase), Operational sustainability of Wireline Network installed prior to 01.04.2002, Wire Line Broadband connectivity in rural and remote areas, Creation of general infrastructure for the development of telecom facilities - Optical Fibre Connectivity, Pilot Projects for induction of new technological developments in telecom sector etc. which would certainly enhance the connectivity in rural and difficult areas, the Committee strongly recommend that the allocation commensurate with the collections made under USL should be earmarked for meeting the Universal Service Obligation. The concerns of the Committee in this regard should be duly communicated to the Ministry of Finance/Planning Commission.

### **Action Taken by the Government**

The Universal Service Obligation (USO) fund had taken up the case of Budget allotment of Rs. 3000 crore (Rs. three thousand crore only) through Budget branch of DoT in BE 2009-10. However, an allotment of funds of Rs. 2400 crore only (Rs. two thousand and four hundred crore only) was received from Ministry of Finance (MoF) against this demand. The matter was accordingly taken up with Hon'ble Minister of Finance by Hon'ble MoC & IT in June, 2009.

In RE 2009-10, the demand of Rs. 3000 crore was again projected to MoF, USOF's requirement of funds to the tune of Rs. 3000 crore was also emphasized by the Department during the pre-budget discussions held in the MoF. However, even in RE, there is no change in the funds allotted by MoF at the BE stage i.e. Rs. 2400 crore as against the projection of Rs. 3000 crore to meet out the funds requirements of various USOF activities.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### **Comments of the Committee**

**(Please see Para No. 17 of the Chapter I)**



### **Recommendation (Para No. 16)**

The Committee further note that the detailed terms and conditions for the maintenance of RCPs have been prescribed in the agreement signed with service providers. In this regard, the Committee would like to be apprised about the mechanism to monitor that RCPs provided with the Government funding are properly maintained. The Committee feel that there is an urgent need to get the feedback from the actual users i.e. the rural populace. As such proper coordination should be maintained with the local bodies. The desired initiatives on the suggested lines should be taken and the Committee be apprised accordingly.

### **Action Taken by the Government**

The Controllers' of Communication Accounts (CCAs) i.e. field units of the Department check the claims thoroughly as per the terms and conditions of the Agreement and subsequent clarifications issued from time-to-time before the funds are disbursed to the Service Providers. The type of service being provided, customer application form, the tariff being charged, billing data, fault status etc. are verified from the claims submitted by the Service Providers. The subsidy is disbursed after checking the performance of the services rendered by USPs and making deductions from subsidy thereof.

Regular inspections are carried out by the office of CCAs in their field visits to verify the availability, assess the performance & other maintenance related aspects of RCPs being provided by USO Fund. During the inspections, the CCAs interact with the custodian of the RCP and the actual users to take their feedback on the proper functioning of the RCPs.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### **Comments of the Committee**

**(Please see Para No. 20 of the Chapter I)**

### **Recommendation (Para No. 28)**

The Committee note that during the entire Tenth Plan period, the financial target for BSNL was 59,153 crore whereas the achievement was Rs. 38,715 crore only, implying an expenditure of 65.45 per cent. The Committee further note that the total proposed outlay for BSNL during Eleventh Plan is Rs. 80607.78 crore (IEBR). During the first two years i.e. 2007-08 and 2008-09 the total BE of Rs. 41472 crore was reduced to Rs. 31956 i.e. reduction by 22.94 per cent. The percentage utilization of outlay with respect to RE during 2007-08, 2008-09 was 56.68 per cent. For 2009-10 BE, an outlay of Rs.

14015.00 crore has been provided for BSNL. The actual expenditure upto July, 2009 with respect to BE was Rs. 3115.71 i.e. 22.23 per cent. The shortfall in the expenditure in 2008-09 has been attributed to delay in procurement of the mobile equipments due to litigation and secondly the decline in the cost of telecom equipments from pre-budgeting to post-budgeting stage. The Committee are not convinced with the reasons advanced by BSNL. They are of the opinion that the underutilization of fund is mainly on account of unrealistic assessment and projection on the part of the Company. The Committee, therefore, recommend that the Company should set realistic and achievable financial targets based upon the requirements and market conditions. The Committee also recommend that the procurement system should be effective and BSNL should plan in advance to fulfill its financial targets.

### **Action Taken by the Government**

Financial Performance contained in the above Para have been examined with following observations:-

- (a) Projected financial target for BSNL during Tenth Plan period was Rs. 64,889 Crore and thereby expenditure works out to 59.66% only.
- (b) Projected outlay for BSNL during Eleventh Plan period is Rs. 80,610 Crore.
- (c) During 2009-10, the actual expenditure upto December, 2009 is Rs. 7687.65 Crore against outlay of Rs. 14015 Crore which works out to 54.85% of BE/ RE. As most of the payment against the supply of equipment is made in the 4<sup>th</sup> quarter, it is anticipated that the financial target for 2009-10 shall be achieved.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### **Comments of the Committee**

**(Please see Para No. 23 of the Chapter I)**

### **Recommendation (Para No. 29)**

The Committee note that as on 31<sup>st</sup> March, 2009, the achievement of physical target earmarked during 2008-09 has been encouraging in almost all the schemes except for Internet, DELS and Trunk Exchange (TAX) as the percentage of their achievement was only 34, 34.60 and 12.33 percent respectively. The reason for shortfall given by BSNL for internet connection was primarily due to switching over of many customers to broadband service and for TAX capacity it was due to non-acceptance of IP TAX equipments by the vendors. For DELs the reasons for shortfall in telephone

connections was due to surrender of wireline telephone connections including disconnections due to non payment of dues and delay in supply and commissioning of WLL equipment by ITI. The physical target set for the year 2009-10 for GSM mobile connection is 180 lakh connections, for fixed (WLL & Wireline) connection it is said to be - 15 lakh connections, for broadband connection the target set is 25 lakh connections. For optical fibre and TAX capacity the set targets are 25000 RKms and 1000 KC respectively. The Committee are of the opinion that the set physical targets cannot be achieved until and unless BSNL put in place an appropriate assessment of the requirement as well as proper coordination with other agencies. The Committee, therefore, recommend that BSNL should have a threadbare analysis of the past performance and should look into the impediments seriously as to achieve the physical targets during the remaining period of the Eleventh Plan and 2009-10 in particular.

### Action Taken by the Government

#### Cellular mobile:

The target, achievement upto 31.12.2009 and anticipated for 2009-10 in respect of important parameters is given below:-

S. No.	Item	Unit of measurement	Target RE 2009-10	Actual Achievement 2009-10 upto 31.12.2009	Expected Achievement during 2009-10
1	Telephone connections	Lakh connections	165	94.66	165
1(a)	Wire line	Lakh connections	-15	-12.50	-15
1(b)	WLL	Lakh connections		1.98	
1(c)	Mobile	Lakh connections	180	105.19	180

S. No.	Item	Unit of measurement	Target RE 2009-10	Actual Achievement 2009-10 upto 31.12.2009	Expected Achievement during 2009-10
2	Broadband connections	Lakh connections	25	11.73	25
3	TAX	KC	1,000	3	1,000
4	OFC	RKMs	25,000	22,756	25,000

Thus, it is anticipated that most of the targets set for 2009-10 are likely to be achieved.

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

### Comments of the Committee

(Please see Para No. 26 of the Chapter I)

### Recommendation (Para No. 33)

The Committee note that as on 31<sup>st</sup> March, 2009, as many as 2,23,238 people were in the queue to get landline phones. Similarly, the waiting list for WLL was 54,958. The Committee have been apprised that the generation of waiting list is a continuous process as new registration of telephone connections are added every month. The pending list is mostly in rural/remote areas which are technically not feasible. The Committee desire BSNL to intensify its measures for providing both landline and mobile telephones on demand all over the country at the earliest.

### Action Taken by the Government

BSNL does not have waiting list in GSM mobile connections as on 31.12.2009 and GSM connections are being provided on demand.

The status of waiting list for land line & WLL connections is given below:-

S.No.	Waiting List	Wire line	WLL
1	Waiting list as on 31.03.2009	2,23,238	54,958
2	Reduction in waiting list (prior to 31.03.2009) at the end of December 2009	1,90,149	47,393
3	Pending waiting list registered prior to 31.03.2009 at the end of December 2009	33,089	7,565
4	Pending waiting list generated during 2009-10 (01.04.09 to 31.12.09)	82,316	20,584
5	Pending waiting list as on 30.09.2009	1,15,405	28,149

From the above table, it is clear that 85.18% of the Wire line waiting list and 86.23% of the WLL waiting list existing on 31.03.2009 has been cleared till 31.12.2009.

It is further submitted that the generation of waiting list is a continuous process as new registration for telephone connections are added every month to the waiting list. The pending waiting list is mostly in rural/ remote areas which are technically not feasible.

Efforts are being made to make TNF pockets existing wherever, technically feasible and to provide landline phones on demand at the earliest.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

#### **Comments of the Committee**

**(Please see Para No. 29 of the Chapter I)**

#### **Recommendation (Para No. 34)**

The Committee note that the total projected Outlay for MTNL for the Eleventh Plan is Rs. 8576.31 crore. During the second year of the Eleventh Plan period i.e. 2008-09, the BE of Rs. 2430 crore was reduced to Rs. 1304.28 crore at RE stage. The actuals as on 31<sup>st</sup> March, 2009 has been Rs. 1087.60 crore i.e. only 60.79 per cent. The 2009-10 fiscal provides for an Outlay of Rs. 1725 crore and upto July, 2009 an outlay of Rs. 181.76 crore has been spent i.e. 10.54 per cent. Regarding the reasons for lesser utilization of funds during 2008-09, the Committee have been apprised that in telecom sector, it is difficult to forecast requirement of funds well in advance and therefore, the projection changes in the post budgeting period is inevitable. However, MTNL are drafting their Annual Plans after taking into consideration the experience gained during the previous years. Meetings are also being held to review the ongoing schemes and at the same time they are also taking stock of the status of new/upcoming projects and funds are allocated based on the expenditure likely to be booked under various heads. The Committee are not convinced with the reasons given by MTNL for under utilization of funds. The Committee are of the view that in the prevailing environment of fierce competition in telecom market, MTNL should have foreseen the possible constraints and finalize the plan projections accordingly. The Committee feel that as this was not done, it ultimately resulted in meager utilization of fund. The Committee now hope that the measures proposed by MTNL would be followed prudently so as to ensure optimal utilization of funds during 2009-10 and also during the remaining period of the Eleventh Plan.

## **Action Taken by the Government**

In this regard, we would like to reiterate the fact that MTNL is drafting its annual plan after reviewing the progress of the ongoing projects and the status of the new / upcoming projects to be taken up during the next year. The reduction at RE stage is based on a revised projection of anticipated expenditure keeping in view the status of projects. Further, the payment liabilities against various projects are also considered while reducing the Budgetary Estimates and allocating the funds for next year.

As regards low utilization of funds in 2008-09, is concerned MTNL would once again like to bring the attention of the committee to the fact that in 2008-09, about Rs 392 crore was reduced at the RE stage under GSM head alone, because of the failure of the ITI to supply the equipment against the orders placed under the reservation quota policy of the Government. Though later on ITI supplied the equipment but the delay in the installation deferred the payment which are linked with different milestones during the implementation of the project

Further, Rs 500 Cr earmarked for the expansion in new service areas like overseas acquisitions and laying of submarine cable has been reduced to Rs 10 crore as MTNL despite of its best efforts could not get the licenses for operation in new service areas and national acquisitions. It is submitted that these licenses are awarded based on the criteria adopted by the various countries and MTNL has no control on the outcome. Similarly because of procedural issues, the submarine cable tender was cancelled.

MTNL will like to stress that the lower expenditure is not at the cost of physical achievements. MTNL is providing sufficient capacity to provide services on demand.

We would also like to update the committee that the fiscal outlay for 2009-10 has been revised to Rs 1352.01 Cr from Rs 1725.02 Cr and till Dec 09 approx Rs 623 Cr (provisional) i.e. 46.08 percent has been spent.

It may be noted that MTNL is not getting any grants from DOT and the funds earmarked are taken from its own resources as & when required. However, MTNL shall make all endeavors to optimally utilize the plan outlay to meet its targets.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

## **Comments of the Committee**

**(Please see Para No. 32 of the Chapter I)**

### Recommendation (Para No. 35)

The Committee note that the outstanding arrears of MTNL as on 31<sup>st</sup> March, 2009 was Rs. 1173.73 crore. During the examination of DFG (2008-09), the outstanding arrears was stated to be Rs. 1188.62 crore i.e. annual reduction is by only Rs. 14.89 crore. The break-up of the outstanding arrears being Rs. 890.85 crore for basic services, Rs. 105.31 crore for CDMA and Rs. 177.57 crore for GSM. This means that the measures taken by MTNL which include strong monitoring at corporate level, implementation of revenue assurance programme, adjusting of security deposits against outstanding Convergent Billing system, automated telephone reminder, legal measures have not yielded the desired result. Therefore, the Committee recommend that MTNL should re-strategies their efforts and make full use of the measures like Convergent Billing System to effectively recover the outstanding dues and not allow the dues to amount beyond unimaginable proportion.

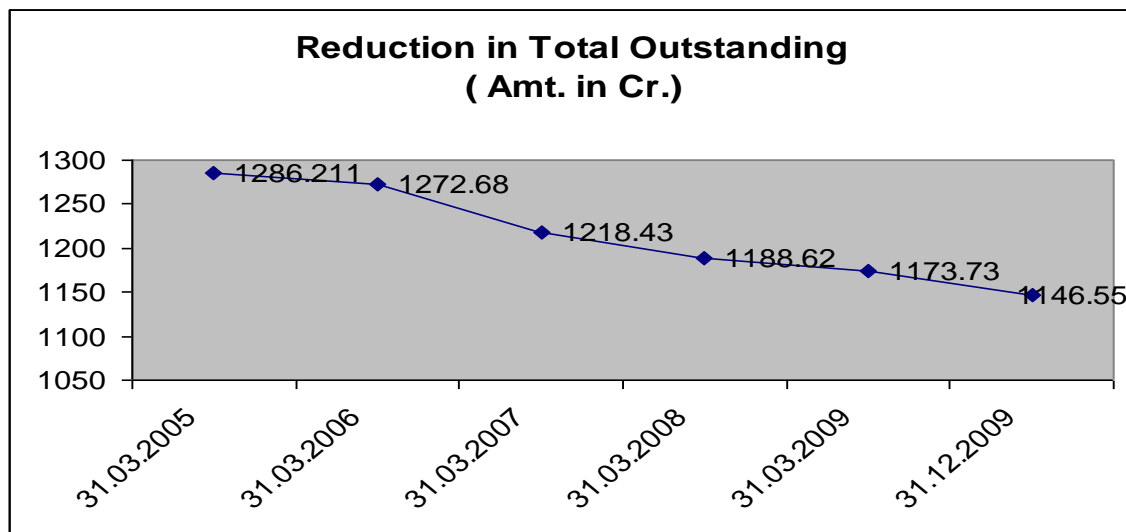
### Action Taken by the Government

The outstanding figures as on 31<sup>st</sup> December 2009 are given below:

Outstanding details of MTNL as on 31<sup>st</sup> December 2009 (Amount in crore)

Unit	Basic	CDMA	GSM	Total
Delhi	575.22	74.59	102.60	<b>752.41</b>
Mumbai	292.39	23.78	77.97	<b>394.14</b>
<b>MTNL</b>	<b>867.61</b>	<b>98.37</b>	<b>180.57</b>	<b>1146.55</b>

The outstanding has been reduced from 1173.73 Crores (as on 31.3.2009) to Rs.1146.55 Crores (as on 31.12.2009) i.e. Reduction of Rs.27.18 Crores. This reduction is in spite of annual billing of approx. Rs.4000 crores and launching of new services on frequent basis. It can be distinctly made out that in MTNL the trend of outstanding is declining progressively. Despite other choices now available to customers due to competition which reduces MTNL's ability to realize outstanding through disconnection, MTNL has still been able to bring down total outstanding. It is again reiterated that this is cumulative outstanding of MTNL since its inception and only forms 1.38% of cumulative amount billed for (as on 31.3.2009).



- The credit module has already been implemented in MTNL in different services according to categories of subscribers. The same shall be carried forward to Convergent Billing system. It is also informed that Convergent Billing system in CDMA Delhi has been implemented completely and is in the process of being implemented for other lines of business. This will also assist to monitor revenue and dues effectively.
- New modes of payments have been implemented for facilitating the customers like mobile Sanchar Haats, Easy bills outlets, online payments through credit Card and Debit Card.
- Pilot scheme introduced in Mumbai unit where bills are collected by lines staff to reduce the outstanding.
- Reduction targets are being fixed for units and being monitored on regular intervals by the Management.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

#### Comments of the Committee

(Please see Para No. 35 of the Chapter I)



**RECOMMENDATION/OBSERVATION IN RESPECT OF WHICH REPLY IS OF INTERIM NATURE**

**Recommendation (Para No. 40)**

The Committee are disheartened to note that Do-not-Call directive which was put into action during September, 2007 has not yielded the desired result as many of the small telemarketers are yet to be registered with the DoT and are still continuing to make the commercial calls without scrubbing their list. Even the registered telemarketers also go scot free as many of the subscribers despite having registered with National Do-not-Call-Registry, do not complain to their service providers even on receipt of unsolicited calls. The Department has admitted that there is a need to explore alternatives viz. (i) enactment of a new legislation or amendment in Indian Telegraph Act, (ii) strengthening of enforcement mechanism, including penal action for violating regulatory directions. In this regard, TRAI is contemplating public consultation. Based on the consultation, TRAI would be furnishing its recommendation to the Department.

Taking note of the aforesaid development, the Committee recommend that expeditious action on the proposed alternatives should be taken by the Department so that the consumers get the respite from the unsolicited calls.

**Action Taken by the Government**

TRAI is initiating a public consultation through issue of a consultation paper to review the various issues relating to the Unsolicited Commercial Communications Regulations and alternative mechanism to control unsolicited commercial communications by setting up a National Do Call Registry (NDC) instead of the existing National Do Not Call Registry (NDMC) and strengthening of enforcement measures/mechanism. The consultation process is expected to take about two to three months time. On completion of the public consultation process, necessary regulations/recommendations will be issued by TRAI including the need for enactment of suitable legislations or amendment in Indian Telegraph Act and strengthening of enforcement mechanism. Enactment of legislation shall accordingly be taken up by the Department.

Deputy Director General (TPF)

(Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 16-4/2009-B dated 10.03.2010)

**Comments of the Committee**

**(Please see Para No. 38 of the Chapter I)**

**New Delhi  
May, 2010  
Vaisakha, 1932 (Saka)**

**RAO INDERJIT SINGH  
Chairman  
Standing Committee on  
Information Technology**

**ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS/  
OBSERVATIONS CONTAINED IN THEIR FOURTH REPORT (FIFTEENTH LOK SABHA)**

[Vide Paragraph No.5 of Introduction]

(i)	Recommendations/Observations which have been accepted by the Government		
	Paragraph Nos:- 1,2,5,7,8,9 ,12,13,14,15, 17,18,19, 20,21,22, 23, 24,25, 26,27,30, 31, 32, 36, 37, 39 & 41		
		Total	28
		Percentage	68.29
(ii)	Recommendations/Observations which the Committee do not desire to pursue in view of the replies of the Government		
	Paragraph No:- 6 & 38		
		Total	02
		Percentage	4.88
(iii)	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and require reiteration		
	Paragraph Nos:- 3, 4, 10, 11, 16, 28, 29, 33, 34 & 35		
		Total	10
		Percentage	24.39
(iv)	Recommendations/Observations in respect of which replies are of interim nature:-		
	Paragraph Nos:- 40		
		Total	01
		Percentage	2.44