

**ADMINISTRATION OF UNIVERSAL
SERVICE OBLIGATION (USO) FUND**

[Action Taken by the Government on the Observations/Recommendations of
the Committee contained in their Fourteenth Report (15th Lok Sabha)]

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

**PUBLIC ACCOUNTS
COMMITTEE
2011-2012**

FORTY-NINTH REPORT

FIFTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

FORTY-NINTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(2011-2012)

(FIFTEENTH LOK SABHA)

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OBLIGATION (USO) FUND

[Action Taken by the Government on the Observations/Recommendations of the
Committee contained in their Fourteenth Report (15th Lok Sabha)]

MINISTRY OF COMMUNICATIONS & INFORMATION
TECHNOLOGY
(DEPARTMENT OF TELECOMMUNICATIONS)

Presented to Lok Sabha on 28 December, 2011

Laid in Rajya Sabha on 28 December, 2011



LOK SABHA SECRETARIAT
NEW DELHI

December, 2011/Pausa, 1933 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2011-2012)

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Sandeep Dikshit
5. Shri Anant Kumar Hegde
6. Shri Bhartruhari Mahtab
7. Shri Shripad Yesso Naik
8. Shri Sanjay Nirupam
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Rajya Sabha

16. Shri Tariq Anwar
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18. Shri Naresh Gujral
19. Shri Prakash Javadekar
20. Shri Satish Chandra Misra
- *21. Shri J.D. Seelam
22. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri D.R. Mohanty — *Deputy Secretary*

* Elected *w.e.f.* 29th August, 2011 *vide* the vacancy occurred *vice* Smt. Jayanti Natarajan appointed Minister *w.e.f.* 12th July, 2011.

INTRODUCTION

I, the Chairman, Public Accounts Committee (2011-12), having been authorised by the Committee, do present this Forty-ninth Report (Fifteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Fourteenth Report (Fifteenth Lok Sabha) on 'Administration of Universal Service Obligation (USO) Fund'.

2. The Fourteenth Report was presented to Lok Sabha/laid in Rajya Sabha on 29th April, 2010. Replies of the Government to the Observations/Recommendations contained in the Report were received on 7th January, 2011. The Public Accounts Committee considered this Report at their sitting held on 23rd September, 2011 but the adoption was deferred. The Committee considered and adopted the revised Report at their sitting held on 21st December, 2011. Minutes of both the sittings are given at Appendix I & II.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

5. An analysis of the action taken by the Government on the Observations/Recommendations contained in the Fourteenth Report (Fifteenth Lok Sabha) is given at Appendix III.

NEW DELHI;
23 December, 2011
2 Pausa, 1933 (Saka)

DR. MURLI MANOHAR JOSHI
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Public Accounts Committee deals with the action taken by the Government on the Observations/Recommendations of the Committee contained in their Fourteenth Report (Fifteenth Lok Sabha) on 'Administration of Universal Service Obligation (USO) Fund' based on Chapter - I of C&AG Report No. PA 1 of 2008 for the year ended March, 2007.

2. The Fourteenth Report (Fifteenth Lok Sabha) was presented to Lok Sabha/laid in Rajya Sabha on 29th April, 2010. It contained 14 Observations/Recommendations. Action Taken Notes in respect of all the Observations/Recommendations have been received from the Ministry of Communications and Information Technology (Department of Telecommunications) and categorized as under:—

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

Para Nos. 1, 3-9, 11, 12 and 14

Total: 11
Chapter II

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

Para No. 13

Total: 1
Chapter III

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

Para Nos. 2 and 10

Total: 2
Chapter IV

- (iv) Observations/Recommendations in respect of which Government have furnished interim replies:

-NIL-

Total: NIL
Chapter V

3. The Fourteenth Report of the Committee pertains to the remedial/corrective Action Taken Notes on the Audit Paragraphs pending with the Ministry of Communications and Information Technology, (Department of Telecommunications). Out of the 3450 Chapters/Paragraphs pending with various Ministries/Departments, 100 Chapters/Paragraphs pertained to the Department of Telecommunications. One of the important Chapters/Paragraphs out of these 100 Chapters/Paragraphs was Chapter 1 of the Report of the C&AG of India for the year ended March, 2007 — Union Government, Civil and Postal Departments (No. PA 1 of 2008) relating to the Performance Audit of the Administration of the Universal Service Obligation Fund in the Department of Telecommunications. This Chapter was reviewed by a Sub-Committee of the PAC in order to gauge the compliance of the Department of Telecommunications to the Audit Observations/Suggestions contained therein alongwith the status of remedial/corrective Action Taken Notes to be furnished by the Department. The detailed examination of the subject by the Sub-Committee had revealed serious shortcomings/lapses on the part of the Department of Telecommunications which *inter-alia* included failure of the Department in submitting the remedial/corrective Action Taken Notes on Audit Paras within the prescribed time limit; diversion of Universal Service Obligation Fund during 2002-07; failure on the part of the service providers in achieving the targets for replacement of Village Public Telephones (VPTs) working on Multi Access Radio Relay (MARR) Technology within the stipulated time frame; non-submission of the Auditor's Reports to the Controller of Communication Accounts (CCA) concerned by the Universal Service Providers (USPs) for settlement of claims of different USPs amounting to Rs. 407.83 crore, violations of the licence agreements by the service providers in some States, etc. The Committee had accordingly given their Observations/Recommendations in the Fourteenth Report.

4. The Action Taken Notes furnished by the Ministry of Communications and Information Technology (Department of Telecommunications) to each of the Observation/Recommendation of the Committee contained in their Fourteenth Report have been reproduced in the relevant chapters of this Report. The Committee will now deal with the action taken by the Government on some of their Observations/Recommendations which either need reiteration or merit comments.

A. Diversion of the Proceeds to the Universal Service Obligation Fund

Recommendation (Para No. 2)

5. In their Fourteenth Report, the Committee had observed that a Universal Service Obligation (USO) Fund was formed with effect from April, 2002 for raising resources by means of a Universal Service Levy (USL) to cater to the USO activities in the process of the achievements of universal service objectives like increase in rural teledensity, provision of voice and low speed data service in the uncovered villages and telephone on demand in the rural areas. The detailed examination of the subject by the Committee had revealed serious lapses on the part of Government on crediting the full amount collected as USL, which was five per cent of the Adjusted Gross Revenue (AGR) earned by all the operators, under various licences, to the USO Fund, during the years 2002-07. Not convinced with the reasons adduced by the Department of Telecommunications, the Committee had observed that the Government should not have any problem in crediting the full amount collected as Universal Service Levy to

the USO Fund when proceeds to the fund were meant to be utilized exclusively for meeting the Universal Service Obligation. The Committee had also desired that the Department should make efforts to ensure that the proceeds to the USO Fund were not diverted under any circumstances, even temporarily for purposes other than those for which the funds were collected.

6. The Ministry of Communications and Information Technology, (Department of Telecommunications), in their Action Taken Notes, have stated as under:—

"As per provisions of Indian Telegraph (Amendment) Act, 2003, 'the sum of money received towards the USO under section 4 shall first be credited to the Consolidated Fund of India, and the Central Government may, if Parliament by appropriation made by law in this behalf so provides, credit such proceeds to the fund from time to time for being utilized exclusively for meeting the Universal Service Obligation'. Hence the entire collection on account of Universal Service Levy gets credited to Consolidated Fund in India and made available to the USO Fund through Parliamentary approvals.

As recommended by the PAC and also observed by the Standing Committee on Demands for Grants for 2009-10 in their Twelfth Report on Action Taken by the Government on the Recommendations/Observations of the Committee contained in their Fourth Report (15th Lok Sabha), the Department had taken up the matter with Ministry of Finance regarding allocation of transfer to USOF. It has been stated by the Ministry of Finance *vide* their letter No. F.No. 2(35)-B(AC)/2009 dated 22.03.2010, that while considering the proposal of Department of Telecommunications (DoT) for the constitution of USOF initially, Cabinet had directed the DoT to consult Ministry of Finance at the time of finalizing the amount to be transferred to USOF and thus the Ministry has the authority to decide the quantum of funds to be transferred to USOF. Ministry of Finance's observations in this regard are reproduced below. 'It may also be mentioned that the license fee from telecom service providers is an important component of Non-tax Revenue of the Union Government. The amount towards transfer to USOF, is provided on the basis of claim pending with the Department of Telecommunications for releases from USOF. As the Government is committed to finance various flagship programmes of the Government, the resources can not be locked by simply lodging them in the Public Account of India. However the concerns of the Standing Committee are noted for necessary action during the RE 2010-11'."

7. The Committee are highly dissatisfied with the indifferent reply of the DoT. The Fourteenth Report of the Committee was presented to the House on 29th April, 2010. The Department furnished their Action Taken Notes on 12th November, 2010. In response to the recommendation of the Committee regarding utilization of the USO Fund exclusively for meeting the Universal Service Obligation, the Department have cited a letter dated 22nd March, 2010 containing the observation of the Ministry of Finance on the matter. Obviously, the DoT instead of taking up the recommendation of the PAC with the Ministry of Finance furnished the stock reply which they received from the Ministry of Finance to a similar recommendation of the Standing Committee

on IT. The Committee deplore such a languid approach bordering on callousness, to say the least. More so, it would have been only in the interest of the DoT, had they brought the recommendation to the notice of the Ministry of Finance for their earnest consideration. The Committee wish to caution the DoT to desist from such casual attitude and non-serious approach when dealing with the recommendation of the PAC.

8. The Committee note that as per the provisions of the Indian Telegraph (Amendment) Act, 2003, the sum of money received towards the USO is meant for being utilized from time to time exclusively for meeting the Universal Service Obligation. That is what the PAC precisely recommended in their earlier Report. But the Ministry of Finance, who have been jointly entrusted with the responsibility of finalizing the amount to be transferred to the USO Fund as per the Cabinet direction, have stated that as the Government is committed to finance various flagship programmes, the resources cannot be locked by simply lodging them in the Public Accounts of India. The Committee do not approve of the Ministry of Finance diverting the funds exclusively meant for USO activities to other programmes. The Committee, therefore, urge upon the DoT to once again take up the matter with the Ministry of Finance so that proceeds from the USO Fund are made available for USO activities in general and for provision and expansion of rural telephony in particular, in accord with the provisions of the Indian Telegraph (Amendment) Act, 2003.

B. Non-filing of the Auditor's Report by the Universal Service Providers

Recommendation (Para No. 8)

9. In their Fourteenth Report, the Committee had noted that there was a failure on the part of Universal Service Providers (USPs) in the submission of the Auditor's Reports to the USO Headquarter for the year 2004-05 for all the service areas and a subsidy of Rs. 7.59 crore remained pending to be certified by the Auditors even after a lapse of two years. Expressing their surprise over the non-submission of the Auditor's Reports by the USPs despite they being based on the self-certification of the USPs themselves, the disbursement of the subsidy without the Auditor's Reports and no action against the defaulting service providers, the Committee had recommended that the Department should ensure that the USPs submitted the Auditor's Reports within a definite time frame to the concerned Controller of Communication Accounts (CCAs) who in turn should expeditiously forward the same to the Headquarters for reconciliation with the claims. The Committee also desired that the Department should take suitable action against the defaulting USPs and the CCAs for non-compliance and ensure further tightening of the measures for proper and timely verification of the claims submitted by the USPs so that the subsidy support from the USO Fund was released only for the services actually commissioned by the service providers.

10. The Department of Telecommunications in their Action Taken Notes have stated as under:—

"The procedure prescribed, as per instruction issued to CCA offices *vide* letter No 1-7/2007/USOF- Auditor's Reports/1027-1061 dated 11.9.2007 and corrigendum dated 14.09.2007 is being followed for authentication of subsidy claims for subsequent years also.

In view of the observations of the PAC and the remarks of DG P&T Audit, to ensure that the service providers submit the Auditor's report within a definite time frame to the concerned CCAs so as to enable timely verification of the claims submitted by the service providers, instructions have been issued to all USPs/ IPs *vide* letter No. 1-7/2008-USOF/Auditors' Reports/1110-1158 dt. 28.06.2010 with copy to all CCAs impressing upon them the requirement of strict observance of the due dates for submission of the Auditors' reports with the CCAs of the concerned service areas/USOF (HQ) as per provisions of USO Agreements. It has been specifically mentioned that in case of non-filing of Auditors' Reports within the stipulated time limit, the subsidy disbursed based on quarterly claim statements of previous year(s) may not be considered to be finally adjusted. As such subsidy paid would be liable to recovered/adjusted along with interest at the PLR of the SBI from the subsidy claims of subsequent period/any other claims (including invoking of set of clause of the USO Agreements), by treating the entire amount as 'excess payment' being not certified by the Auditors. Suitable instructions in this regard have also been issued to the CCAs for acting upon these directions. This office has reiterated the instructions to concerned CCAs and IPs/USPs to ensure the timely submission of Auditors' Report and intimate recovery particulars to Headquarter *vide* this office letter No. 1-7/2007-USOF dated 1.9.2010 resultant that the Auditors' Report from all CCAs for 2007-08 have been received and excess payment pointed out by Auditors have been recovered in all cases. The Auditors Reports due for 2008-09 have largely been received from CCAs and in the small number of cases where the same have not been received recoveries are being effected. Thus, it may kindly be seen that in pursuance of recommendations of PAC the system of monitoring has been suitably tightened further to ensure that all Auditors certificates due are received and necessary action for reconciliation/recovery is effected in time."

11. The Committee note that pursuant to their recommendation to tighten the monitoring system for proper and timely verification of the claims submitted by the Universal Service Providers (USPs), the DoT issued instructions on 28th June, 2010 and reiterated the same on 1st September, 2010 to all the USPs/IPs, with copy to all the CCAs, to ensure timely submission of the Auditors Report and intimate the recovery particulars to the Headquarters. Admittedly, as a result, the Auditors Report from all the CCAs for the year 2007-08 have been received and excess payment recovered in all the cases. The Committee hardly need to emphasise that the DoT would maintain strict vigil and ensure that the service providers submit the Auditors' Report within a definite time frame so that appropriate verification of the claims is made in time and timely reconciliation/recovery of excess payments is ensured.

C. Delay in the Settlement of Claims of Universal Service Providers

Recommendation (Para No. 9)

12. The Committee, in their Fourteenth Report, had observed that claims of ₹ 407.83 crore pertaining to different USPs were pending for settlement due to delay on the part of the service providers in furnishing the requisite clarifications or additional

information as well as on the part of the USO Headquarters in providing clarifications sought for by the Controller of Certifying Authorities (CCAs). Having not been convinced with the argument of the Department that the delay was inevitable as the process of settlement of claims of the USPs was a protracted one, the Committee had impressed upon the Department and the USO Fund Administration to adhere to a clear-cut and definite time schedule for settlement of claims and resort to a foolproof verification mechanism to avoid delays in settlement of genuine claims.

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

"As per financial conditions of Agreement, the USO claims should generally be settled within thirty days of receipt. This fact has been impressed upon to the CCA offices.

Detailed instructions were issued *vide* letter No. 1-1/2008-USOF (Payments)/206-230 dt. 17.04.2008 for observance of prescribed time schedule for settlement of claims. The instructions in this regard were reiterated *vide* letter No. 1-1/2009-USOF/Claim-Corr./1364-1385 dt. 10.09.2009. It was also specified in the letter *ibid* that even in exceptional circumstances the process should be completed before receipt of claims of subsequent quarters. However, there may be occasions that due to various reasons some amount is kept withheld for want of certain information/document from the USP, which causes delay in final settlement of such claims.

Vigorous pursuance is made by USO Administration for timely settlement of USO subsidy claims. In this connection repeated instructions have been issued to CCAs, including recently issued instructions *vide* letters No. 1-1/2009-USOF/Claim-Corr./714-736 dt. 02.06.2010 and No. 1-1/2009-USOF/Claim-Corr./1060-1082 dt. 28.06.2010.

In the All India CCAs conference held on May, 10-11, 2010 in USO (HQ), the status of unsettled/withheld claims was also discussed in detail and a definite time schedule has been drawn for final settlement of all claims up to Q.E. Dec. 2009 and submission of compliance report thereof to USO (HQ).

As a result of vigorous pursuance, no claim up to Q.E. Dec. 2006 (as pointed out in the C&AG report) is lying unsettled. In fact, no claim up to Q.E. Mar. 2009 is lying unsettled. However, claims for a small amount of Rs. 19.35 cr. up to Q.E. Dec. 2006 are lying withheld for the clearance of which a definite time schedule has been drawn and is being monitored.

The timely settlement of unsettled/withheld claims is thus being closely and effectively monitored."

14. The Committee appreciate that due to the vigorous efforts made by the USO Administration through repeated instructions issued to the CCAs including the instructions issued in the month of June, 2010 subsequent to the recommendations of the PAC in this regard, no claims of the USPs up to the Quarter Ending March, 2009 are lying unsettled. Claims for only the amount of Rs. 19.35 crore pertaining to

the Quarter ending December, 2006 are lying withheld for the clearance of which a definite time schedule has been drawn and is reportedly being monitored. As the USO claims should generally be settled within thirty days of their receipt as per the financial conditions of the Agreement, the Committee impress upon the DoT to expeditiously settle the remaining claims of ₹ 19.35 crore and adhere to a definite time schedule with an effective monitoring mechanism in place for final settlement of all the pending claims after the Q.E. March, 2009 as well as the claims that would crop up in future.

D. Violation of Licence Agreements by the Universal Service Providers

Recommendation (Para No. 10)

15. In their Fourteenth Report, the Committee had observed that Reliance Communication Ltd. and Tata Teleservices Ltd. had provided Rural Community Phones (RCPs) and Rural Direct Exchange Lines (RDELs) in Rajasthan, Uttar Pradesh (West) and Uttar Pradesh (East) Telecom Circles without ensuring inter connectivity with the other operator *i.e.* BSNL, which was a violation of the Licence agreements signed by the USPs with the Department of Telecommunications as well as agreements between the USPs and the USO Fund Administration. The Department clarified that while creating the network for provision of RCPs/RDELs, the two USPs requested BSNL for Point of Interconnections (PoIs) and in the meanwhile, they kept on providing RCPs/RDELs under various schemes with limited connectivity with the network of other operators. Terming the Department's argument untenable, the Committee had impressed upon the Department to take firm steps to ensure that BSNL and other USPs speed up the provision of interconnectivity while creating network for various schemes towards expansion of rural telephony. The Committee also recommended that the Department should take corrective, remedial and penal action against the defaulters responsible for the violation of the licence agreement.

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

"USO Fund has been taking up the matter of providing points of Interconnection (PoIs) with USPs from time to time. BSNL has also been requested to provide PoIs to M/s. TTL, M/s. TTL (Maharashtra) and M/s. Reliance for the required SDCAs as per the Interconnection Agreement signed with them at the earliest.

In compliance with the recommendations of the PAC, instructions have been issued to M/s. Reliance, M/s. TTL and M/s. TTL (Maharashtra) to expedite Interconnection and resolve PoI issue. M/s Reliance has reported to have already resolved all its PoI issues with regard to USOF RDELs. M/s. TTL and M/s. TTL (Maharashtra) have also reported to have resolved PoI issues with regard to USOF RDELs in most of the SDCAs. Hence the matter is being pursued and the issue has been resolved in most of SDCAs. Further the RDELs Scheme stands closed on 31.03.2010."

17. The Committee note that pursuant to their recommendation, the DoT issued instructions to Reliance, Tata Teleservices Ltd. and Tata Teleservices Ltd.

(Maharashtra) to expedite interconnection and resolve the Points of Interconnection (PoI) issues. As a result the defaulting companies were reported to have resolved the issues in most of the Short Distance Charging Areas (SDCAs). The Committee would like to know the exact number of SDCAs where PoI issues have been resolved. Strangely, however, the Department have remained silent as regards the action taken against the defaulting service providers. In the opinion of the Committee, violation of the licence agreement in any form, whether by the licensor or by the licensees, which ultimately leads to financial irregularities and under performance in meeting the avowed objectives of the Government, is too serious an issue. The Committee, therefore, exhort the Department to spell out in no uncertain terms that there would be zero tolerance for any violation of or deviation from the licence agreements. Further, the RDEL scheme which was closed on 31st March, 2010 does not in any way prevent the Department from taking action against the service providers who violated the licence agreement in the provision of telephone facilities in the rural areas under that scheme. In fact, the Department ought to discard their attitude of treating the past violations and wrongdoings as closed chapters and take effective action both retrospectively and prospectively so that exemplary punishment is meted out to all the wrongdoers, past being no exception, to be ignored or condoned. The Committee would like to be expeditiously apprised of the precise action taken in this regard by the DoT.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observation/Recommendation (Para No. 1)

With effect from March, 1996 the Ministries/Departments are required to furnish the remedial/corrective Action Taken Notes to the Public Accounts Committee through the Ministry of Finance (Department of Expenditure) on all those Paragraphs of the Reports of the Comptroller & Auditor General of India, which are not formally taken up by the Committee for examination and Reports presented thereon. Such remedial/corrective Action Taken Notes are to be furnished within four months of the laying of the Audit Reports in Parliament. But the Committee's examination of the subject has revealed that as on 28th February, 2010 remedial/corrective Action Taken Notes on a total number of 3450 Audit Paragraphs were pending with various Ministries/Departments. Out of that, 100 Paragraphs were pending with the Ministry of Communications and Information Technology (Department of Telecommunications) as on 19th March, 2010, the breakup being first reply not sent-01; under modifications-39; sent for copy-58; and sent to Audit-02. It is pertinent to mention here that after the first reply is sent to Audit by the Ministry/Department concerned, the former seeks certain clarifications on the replies and the latter are required to furnish such clarifications in a time bound manner. The Department of Telecommunications cannot draw solace from the fact that only one paragraph is pending with them so far as the first reply is concerned. In real terms, as many as 98 paragraphs are pending with them as on 19th March, 2010, their status notwithstanding and only on two paragraphs remedial/corrective Action Taken Notes have been sent to the Audit. Further, not a single remedial/corrective Action Taken Note has been furnished to the Public Accounts Committee. The Department's claim that a procedure has been developed at both the field and Headquarters level and regular quarterly reviews are being conducted by the Telecom Commission to ensure timely submission of Action Taken Notes on the Audit Paragraphs, does not inspire confidence in view of the number of paragraphs still pending with them. Similarly, the contention that the time limit of four months for submission of remedial Action Taken Notes seems inadequate for the Department, it being a vast and big organization, does not find merit with the Committee. Because, the time limit is prescribed by law and is achievable and also because there are other Ministries/Departments which are adhering to the time line in furnishing remedial Action Taken Notes on Audit Paras. The explanation by the Department for delay is untenable. The Committee, therefore, impress upon the Department of Telecommunications to streamline the procedure and strengthen the monitoring systems with a view to ensuring that the remedial/corrective Action Taken Notes on audit Paras are invariably submitted within the prescribed time frame. The Committee further desire that responsibility be fixed, which has not been done so far, for the inordinate delay in submission of Action Taken Notes on the Audit Paras in view of the invaluable

inputs/remedies suggested by the Audit for prompt and appropriate corrective action on the part of the Ministries/Departments concerned. The Committee also hope that the remedial/corrective Action Taken Note on the pending audit Paras will be obtained from the Nodal officers within one month, as assured, and furnished to the Audit expeditiously thereafter. Action taken to fix responsibility be informed to the Committee at the earliest.

[Para No. 1, Part II of the Fourteenth Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Action Taken by the Government

Out of the 100 paragraphs that were pending with the Department of Telecommunications as on 19th March 2010, 55 Audit paras have been finally closed after final vetting by the Audit and submission of requisite number of copies in English and Hindi to the Monitoring Cell in the Ministry of Finance and to the Audit.

The breakup of the balance 45 paras on which ATNs are yet to be submitted is as follows:

First reply not sent:	0
Under modification:	17
Sent to Audit:	16 (CDOT)
Sent for Copies:	12

The Department would like to apprise the Committee that apart from the quarterly reviews conducted by the Telecom Commission, a Standing Audit Committee (SAC) has been constituted to monitor and review the progress of submission of ATNs on a monthly basis and to take remedial measures. DG Audit is a special invitee to the SAC which is chaired by the Secretary of the Department. The SAC would ensure that the remaining ATNs on Audit paras are submitted to the Audit within the shortest possible time. The Department is also in constant touch with the Audit to ensure proper coordination and reconciliation of ATNs on Audit Paras.

Nodal Officers of the level of Joint Secretaries and above were nominated in the Department to ensure timely submission of the ATNs on Audit paras concerning their sphere of work. Also in accordance with the decision taken in the first meeting of the Committee of Secretaries, on the delay in submission of ATNs on Audit paras, all the Nodal Officers have been asked to organize ATN Adalats/workshops every quarter inviting representatives of the Audit, to resolve and finalize pending ATN/ATRs. The Nodal Officers have also been directed to fix responsibility for the delay in submission of ATNs.

Efforts are also being made to ensure that the ATNs on all new Audit paras are submitted within the stipulated time frame.

The Department again assures the Committee of its commitment in submission of pending ATNs on all Audit paras within the shortest possible time.

[Ministry of Communications & Information Technology/Department of
Telecommunications No. 27-5/2010-AC/PAC, dated 19.10.2010]

OFFICE OF THE DIRECTOR GENERAL OF AUDIT, P&T, DELHI-110054

Ministry may refer to their communication No. 27-9A/2008-AC dated 20.10.2010 forwarding therewith Action Taken Note on Recommendations/Observations on Para No. 1, 14th Report of 15th Lok Sabha on Administration of USO Fund. The Para No. 1 of 14th Report of 15th Lok Sabha on Administration of USO Fund are returned with the following remarks:

"Para 1 of Part II of the Fourteenth Report of the Public Accounts Committee (Fifteenth Lok Sabha) is returned with the remarks 'No Comments'."

This issues with the approval of the Director General of Audit, P&T.

Sd/-

Deputy Director (Report)

Ambika Prasad, ADG (AC), Department of Telecommunications, Sanchar Bhawan, New Delhi.

DGAP&T U.O. No. Rep-Civil/2(d)8621/266

Dated: 26 October, 2010

OFFICE OF THE DIRECTOR GENERAL OF AUDIT, P&T, DELHI-110054

Ministry may refer to their communication No. 27-9A/2008-AC dated 1 September 2010 forwarding therewith Action Taken Note on Recommendations/Observations/para raised in 14th Report of 15th Lok Sabha on Administration of USO Fund. The ATN is returned with the remarks as shown in the enclosed *Annexure*.

This issues with the approval of the Director General of Audit, P&T.

Sd/-

Deputy Director (Report)

Ambika Prasad, ADG (AC), Department of Telecommunications, Sanchar Bhawan, New Delhi.

DGAP&T U.O. No. Rep-Civil/2(d)8621/185

Dated: 20 September, 2010

ANNEXURE

Para No.	Audit Remarks
Para 2, part II of the Fourteenth Report of the Public Accounts Committee (Fifteenth Lok Sabha)	Para 2, part-II of the fourteenth report of the Public Accounts Committee (Fifteenth Lok Sabha) is returned with the remarks "Ministry may continue to make efforts to get the full amount collected as Universal Service Levy credited to the USO Fund".
Para 3, part II of the Fourteenth Report of the Public Accounts Committee (Fifteenth Lok Sabha)	Para 3, part II of the fourteenth report of the Public Accounts Committee (Fifteenth Lok Sabha) is returned with the remarks " No Comments ".
Para 4, part II of the Fourteenth Report of the Public Accounts Committee (Fifteenth Lok Sabha)	Para 4, part II of the fourteenth report of the Public Accounts Committee (Fifteenth Lok Sabha) is returned with the remarks " No Comments ".
Para 5, part II of the Fourteenth Report of the Public Accounts Committee (Fifteenth Lok Sabha)	Para 5, part II of the fourteenth report of the Public Accounts Committee (Fifteenth Lok Sabha) is returned with the remarks " No Comments ".
Para 6, part II of the fourteenth Report of the Public Accounts Committee (Fifteenth Lok Sabha)	Para 6, part II of the fourteenth report of the Public Accounts Committee (Fifteenth Lok Sabha) is returned with the remarks " No Comments ".
Para 7, part II of the Fourteenth Report of the Public Accounts Committee (Fifteenth Lok Sabha)	Para 7, part II of the fourteenth report of the Public Accounts Committee (Fifteenth Lok Sabha) is returned with the remarks " No Comments ".
Para 8, part II of the Fourteenth Report of the Public Accounts Committee (Fifteenth Lok Sabha)	Para 8, part II of the fourteenth report of the Public Accounts Committee (Fifteenth Lok Sabha) is returned with the remarks that all efforts be made to ensure that the USPs submit the Auditors Reports within a definite time frame to the concerned CCAs who, in turn, should expeditiously forward the reports to the Headquarters for reconciliation with the claims.
Para 9, part II of the Fourteenth Report of the Public Accounts Committee (Fifteenth Lok Sabha)	Para 9, part II of the fourteenth report of the Public Accounts Committee (Fifteenth Lok Sabha) is returned with the remarks " No Comments ".

Para No.	Audit Remarks
Para 10, part II of the Fourteenth Report of the Public Accounts Committee (Fifteenth Lok Sabha)	Para 10, part II of the fourteenth report of the Public Accounts Committee (Fifteenth Lok Sabha) is returned with the remarks "Department should impress upon BSNL and other USPs to speed up provision of interconnectivity while creating network for various schemes towards expansion of rural telephony to ensure that the purpose is well served. It is further suggested that violations of the licence agreement by those concerned need to be accounted for in terms of corrective, remedial and penal action against defaulters".
Para 12, part II of the Fourteenth Report of the Public Accounts Committee (Fifteenth Lok Sabha)	Para 12, part II of the fourteenth report of the Public Accounts Committee (Fifteenth Lok Sabha) is returned with the remarks " No Comments ".
Para 13, part II of the Fourteenth Report of the Public Accounts Committee (Fifteenth Lok Sabha)	Para 13, part II of the fourteenth report of the Public Accounts Committee (Fifteenth Lok Sabha) is returned with the remarks " No Comments ".
Para 14, part II of the Fourteenth Report of the Public Accounts Committee (Fifteenth Lok Sabha)	Para 14, part II of the fourteenth report of the Public Accounts Committee (Fifteenth Lok Sabha) is returned with the remarks " No Comments ".

Para Nos. 3, 4, 5, 6, 7, 9, 12, 13, 14 are duly vetted by DG Audit (P&T) and Para Nos. 2, 8, 10 under modification *vide* DGAP&T U.O. No. Rep.-Civil/2(d)8621/185, Dated : 20.9.2010.

Observation/Recommendation (Para No. 3)

The Committee note that the available balance in the USO Fund as on 31st March, 2009 was Rs. 12,811.28 crore including the allotted fund of Rs. 2400 crore during the financial year 2009-10. The collection of USL since inception *i.e.* from 2002 is Rs. 25331.36 crore. It implies that utilization of USO Fund has been around fifty per cent only in all these years. The Committee, however, find that some schemes like Second and Third Phases of Mobile Infrastructure, Non-conventional Energy for Rural Area, Broadband connectivity on wireless and Augmentation of Optical Fibre Network and Pilot Projects towards support for renewable energy resources and solar mobile charging stations in villages are under formulation and planned to be executed in the next three to five years time frame. The department expects that once the above schemes are operationalised, the outflow from the USO Fund would increase. In this context, the Committee would like to point out that there should not be any let up in the optimal utilization of the funds, especially when eight important on-going activities *viz.* Provision of Village Public Telephones (VPTs), Rural Community Phones (RCPs), Rural Direct Exchange Lines (RDELs), replacement of Multi Access Radio Relay (MARR) VPTs etc.

are getting subsidy support from the USO Fund. The Committee, therefore, impress upon the Department and the USO Fund Administration to ensure that USO Fund is purposely disbursed towards the ongoing activities for faster expansion of rural telephony. The Committee also desire that the planned schemes, as stated above, be executed expeditiously and efficiently towards better utilization of the USO Fund and consequently better telecom infrastructure in the rural areas in the years ahead.

[Para 3, Part II of the Fourteenth Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Action Taken by the Government

In respect of ongoing activities, USO fund is being disbursed towards operation and maintenance of VPTs, replacement of MARR, VPTs, provision of RCPs, VPTs in uncovered villages, provision of Rural House hold Direct Exchange Lines (RDELs) and Shared Mobile Infrastructure Scheme.

USOF has in the recent past launched following new schemes:

- (i) Rural Wireline Broadband Scheme.
- (ii) Provision of VPTs in the newly identified uncovered villages.
- (iii) Optical Fibre Network Augmentation, Creation and Management of Intra-District SDHQ-DHQ OFC Network in service area of ASSAM.
- (iv) Pilot project for use of Renewable Energy Resources (Solar, Wind, Diesel Hybrid) solutions in USOF's Mobile Infrastructure-Phase I sites.
- (v) Pilot project for solar mobile charging stations in villages through TERI's project of Lighting a Billion Lives (LaBL).

Further, in order to optimally utilize USO Fund, following schemes are under formulation, which are planned to be executed during the next three to five years time frame.

- (i) Second Phase of Mobile Infrastructure Scheme.
- (ii) Support for use of Non-Conventional Energy for Rural Telecommunications.
- (iii) Rural Wireless Broadband Scheme-Phase I.
- (iv) Satellite Broadband connectivity for Rural & Remote Areas.
- (v) Creation of General Infrastructure like OFC-Augmentation, Creation and Management of Intra-District SDHQ-DHQ OFC Network in States other than Assam.
- (vi) OFC connectivity to 2.5 lakh Village Panchayats.
- (vii) Pilot Projects for induction of new technological developments in rural telecommunications.

Once the schemes are made operational, it is assumed that outflow from the Fund will increase.

The Para is vetted by D.G. Audit (P&T) with no Comments *vide* his Letter No. D6(A) (P&T) U.O. No. Rep-Civil/2(d) 8621/185, dated 20-09-2010.

[Ministry of Communications & IT, Department of Telecommunications
F.No. 30-3/2010-USOF (PAC) dated 9.8.2010]

Observation/Recommendation (Para No. 4)

When Audit carried out the performance review of the Department of Telecommunications for the year ended March, 2007, it pointed out that rural tele-density in the States/Service Areas such as Bihar, Chhattisgarh, Madhya Pradesh, Assam, Jammu & Kashmir, Uttar Pradesh and West Bengal ranged from merely 0.88 to 1.81 per cent. A representative of the Department of Telecommunications clarified in evidence that the tele-density in Bihar, Jammu & Kashmir, Assam and combinedly in Madhya Pradesh & Chhattisgarh stood at 12.26; 23.04; 16.37; and 12.59 per cent respectively as on 31st December, 2009. As on the same date, the all India rural tele-density was 21 per cent whereas it was a mere 0.98 percent in 1998. The Committee feel that rural tele-density has not kept pace with the massive expansion in the Telecom sector in the country in general and the impressive growth in the urban connectivity in particular. The Committee were informed that in order to bridge the rural-urban divide, the Department, through the USO Fund, have taken up a number of schemes/activities like installation of Rural Household Direct Exchange Lines (RDELs) in 1685 Short Distance Charging Areas (SDCAs); launching of Shared Mobile Infrastructure Schemes to provide subsidy support for setting up and managing 7383 sites/towers in 500 Districts spread over 27 States for provision of mobile services in the specified rural and remote areas where there is no fixed wireless or mobile coverage; and proposals to set up additional 10,000 towers in rural and remote areas in 2010-11 under phase II of the Shared Mobile Infrastructure Schemes and setting up of 5,000 more towers under Micro Telecom Systems' in isolated and remote uncovered villages/cluster of villages having scattered population. The Committee feel that these are steps in right direction and the momentum should be maintained throughout to give a fillip to rural tele-density. The rate of increase in rural tele-density has been picking up since the last few years when provision of affordable mobile telephones in rural areas gained momentum. In that context, Shared Mobile Infrastructure scheme, where a number of service providers can share one site/tower is an idea which should be seriously implemented so that the gap between rural tele-density and urban connectivity is bridged faster and significantly.

[Para 4, Part II of the Fourteenth Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Action Taken by the Government

As on 30.04.2010, the rural tele-density in Bihar, Jammu & Kashmir, Assam and combined tele-density in Madhya Pradesh & Chhattisgarh stood at 15.21, 25.96, 18.99

and 16.11 per cent respectively. The overall rural tele-density of the country was 24.97%. Thus rural tele-density has increased significantly. The figures are tabulated below:—

Name of State	Rural Tele-density as on 30.04.2010
Assam	18.99
Bihar (Jharkhand)	15.21
Jammu & Kashmir	25.96
Madhya Pradesh (including Chhattisgarh)	16.11
All India Average	24.97

The various USO Fund schemes such provision of individual rural DELS, Phase I of Shared Mobile Infrastructure Scheme etc. have contributed in improving the tele-density in rural areas.

At the time of setting up of USO Fund, the thrust was on Public access as large number of villages did not have any telephone connectivity. Even the public phones connected in a large number of villages were not functioning properly. The operational expenses being incurred by the service providers were also very high for the VPTs working in rural and remote areas. To overcome these difficulties, the Universal Service Support Policy (USSP) adopted by DoT focused on Public Access facility to be provided to the villages in form of VPT, RCP and Replacement of non-functional VPTs. Subsequently these guidelines of the USSP were reflected in the Rural governing USO Fund. To implement various streams defined in the said Rules, provision of Public Access under Stream-I was taken up on priority.

Further, in order to bridge the rural-urban divide, Stream-II was taken up where the focus was on provision of individual telephone lines in the rural and remote areas. In the first two years of the launch of the scheme, the service providers were required to create the requisite infrastructure like setting up of rural exchanges, WLL equipment, towers, backhaul, PoIs, core network and associated infrastructure for providing the rural lines in the eligible 1685 SDCAs in the country. In all about 25 Lakh rural lines were provided by the service providers during the period 01.04.2005 to 31.03.2007 out of which about 4 lakh lines were provided in the first year while about 21 lakh lines were provided in the second year. Taking into consideration the overwhelming response to the scheme and to utilize the infrastructure thus created for provision of more number of rural lines, the scheme was extended till 31.03.2009, which was further extended up to 31.03.2010. As on 31.03.2010, 79.3 lakh RDELs were provided under this scheme with the subsidy support from USOF.

Parallely, under Stream III another scheme was launched in June 2007 to provide subsidy support for setting up and managing 7871 (revised to 7387) number of infrastructure sites spread over 500 districts in 27 States for provision of Mobile services in the specified rural & remote areas. The infrastructure so created is being shared by three service providers for provision of mobile services including other Wireless Access Services like Wireless on Local Loop (WLL) using Fixed/Mobile

terminals in the specified rural and remote areas, where there is no existing fixed wireless or mobile coverage. About 2 lakh villages are likely to be covered under this scheme. The agreements signed with the successful bidders are effective from 01.06.2007. It is estimated that additional capacity of 24 million new lines shall be created through the infrastructure so created under this scheme. As on 31.05.2010, 7163 towers have been set up under this scheme.

The above measures have formed part of the overall increase in the rural tele-density from an insignificant figure of 0.40 in 1998 to 24.97 as on 30.04.2010. USO Fund is making all out efforts to implement Phase-II of Shared Mobile Infrastructure in a timely manner during the period 2010-12. All these above schemes help in creation of Infrastructure in rural and remote areas of the country which in turn shall enable further increase in the rural tele-density and bridging the gap between rural and urban tele-density. The basic aim of USO Fund schemes is to seed the rural areas thereby creating enabling environment for the market forces to take over.

The Para is vetted by Audit with no comments *vide* DG (A) P&T U.O. No. Rep. Civil/2(d) 8621/185 dated 20.09.2010.

[Ministry of Communications & IT, Department of Telecommunications,
F.No. 30.3.2010 USOF (PAC) dated 9.8.2010)]

Observation/Recommendation (Para No. 5)

The Committee note that out of the target of 62, 302 Village Public Telephone (VPTs) under Bharat Nirman Programme, 61,526 VPTs have already been provided as on 31st January, 2010. Similarly, BSNL, which has been given time till February, 2011 to provide 62,443 VPTs in the remaining uncovered villages as per the 2001 census irrespective of their population and geographical location, has been able to provide 37,325 VPTs as on 31st January, 2010. As provision of VPTs is one of the most important measures towards expansion of rural telephony, the Committee desire the Department of Telecommunications and the USO Fund Administration to effectively monitor the progress in this regard so as to ensure that approximately 1000 VPTs under Bharat Nirman Programme and approximately 25,000 VPTs in the remaining uncovered villages as per the 2001 census are provided by February, 2011, the target date as given to BSNL. The Committee also recommend that the Department should impress upon the service provider to take adequate measures for the upkeep and maintenance of the VPTs already provided so that all the 5.93 lakh inhabited villages avail effective telecom facilities and the subsidy support from the USO Fund is appropriately utilized.

[Para 5, Part II of the Fourteenth Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Action Taken by the Government

As on 31.05.2010, 61704 VPTs out of 62302 VPTs to be provided under Bharat Nirman have been installed. The remaining 598 VPTs are expected to be set up by September 2010. As regards the VPTs to be provided in the newly identified uncovered villages as per Census 2001, 39199 VPTs have been provided as on 31.05.2010 out of the 62443 VPTs to be provided under this Agreement. Thus in all about 5.7 Lakh

villages out of the 5.93 lakh inhabited villages as per Census 2001 have been provided with VPT facility as on 31.05.2010. The remaining villages are likely to be provided with VPT facility in a phased manner by February 2011. Regular review meetings are being carried out at the level of Administrator, USO Fund with CMD, BSNL to provide the balance VPTs expeditiously.

Terms and conditions of the agreements signed with USPs provide for proper maintenance and performance monitoring of VPTs. The USPs are supposed to maintain a record of faults and rectification reports and other related details in respect of the service rendered. Further, as per Agreement, the USPs shall be responsive to the complaints lodged by its customers. They are required to rectify the deficiencies and maintain history sheets for each installation apart from statistics and analysis on the overall maintenance status. Further proper arrangement shall be made by the USPs for reporting/booking faulty service and its regular testing. Print out of line tests and records of Metered Call Units (MCUs) are to be preserved by the Universal Service Provider.

CCAs also verify the functional status of the services being provided by the USPs by carrying out regular field visits and prescribed inspections on regular basis. In the context of monitoring of facilities to be provided in VPTs, based on inputs received from CCA offices, effective measures have been taken by USOF Administration towards improvement in the maintenance of VPTs as briefly outlined below:

- I. Reference was made from the Administrator, USOF to the CMD, BSNL *vide* DO letter dated 12.9.2007, pointing out certain shortcomings based on the feedback on functioning of VPTs, received from field units of DoT and to remove such shortcomings. In particular BSNL was requested to review the position regarding provision of STD facilities and charge indicators to VPTs, commission rates and security deposit for VPTs, powering of VPTs/RCPs on CDMA Technology, disconnection of VPTs and possibility of prepaid mode of payment for VPTs, creation of public awareness & ensuring public access for VPTs and provision of genuine and effective grievance redressal mechanisms etc.
- II. Meeting was held by Administrator, USOF with the CMD, BSNL on 16.12.2007 regarding improvement in functioning of VPTs. Minutes of the meeting were forwarded to BSNL *vide* letter dt. 4.12.2007 for time bound action plan agreed upon in the meeting.
- III. In order to take follow up action on the decisions taken in the meeting of Administrator, USOF with CMD, BSNL to discuss remedial actions needed for improving the performance of VPTs, a D.O. reference was made by BSNL Corporate office to the Chief General Manager, BSNL circles *vide* letter dt. 30.11.2007.
- IV. All CCA offices were addressed *vide* letter dt. 20.12.2007 enclosing therewith a copy of letter dt. 30.11.2009 from BSNL to CGMs of BSNL circles, for monitoring the action points decided in the meeting of Administrator, USOF with CMD, BSNL and to furnish feedback to USOF (HQs.) regarding the performance of USOF sponsored schemes.

- V. *Vide* USOF letter dt. 1.4.2008, DDG (RN) was requested to furnish progress on each of the agenda items discussed in the meeting dt. 16.11.2007 with CMD, BSNL.
- VI. Feedback in reference to USOF letter dt. 1.4.2008 was received from BSNL Corporate office *vide* letter dt. 23.4.2008.
- VII. On review of feedback received from BSNL, it was noticed that some of the issues highlighted in the meeting dt. 16.11.2007 of the Administrator, USOF with CMD, BSNL had not been followed up entirely in keeping with the spirit of the decisions made in the meeting. A, D.O. reference was therefore, made by Administrator, USOF to the CMD, BSNL *vide* letter dt. 8.5.2008 for personal attention on certain issues so as to ensure that the VPT becomes a self-sustaining and financially viable means of public access to the rural population.
- VIII. Based on the progress report submitted by BSNL w.r.t. the agenda points of the meeting dt. 16.11.2007, CCA offices were requested to provide detailed feedback on the various agenda points, *vide* letter dt. 13.5.2008.
- IX. A reference was made to CMD, BSNL *vide* letter dt. 18.9.2008 pointing out poor functioning of VPTs in Tamil Nadu circle, with the request to take urgent action towards proper implementation of the terms and conditions of the VPT Agreements and the instructions issued by USOF (HQs) and BSNL C.O. for improving the functioning of VPTs.
- X. A D.O. reference was made from Administrator, USOF to the CMD, BSNL *vide* letter dt. 9.1.2009 with the request *inter alia* to ensure that due care is taken by BSNL towards proper field level implementation of USO schemes and correct submission of subsidy claims.

As stated above, concerted efforts are being made to bring about improvement in the functioning and performance of VPTs and the entire system is being closely and effectively monitored. Further, based upon past experience and inputs of field units, in subsequent VPT Agreements, conditions relating to subsidy payment have been further tightened to ensure adherence by USPs to provisions relating to aspects such as public access, solar chargers, charge indicators and sign boards etc.

Further, in addition to above, a new sample based procedure for physical inspection and verification of VPTs has been evolved *vide* letter No. 30-12/2007-USOF dt. 28.10.2009 and is being implemented.

Review is carried out on regular basis to bring about improvement in system.

[Ministry of Communications & IT, Department of Telecommunications
F.No. 30-3/2010-USOF (PAC) dated 9.8.2010]

The para is vetted by D.G. Audit (CP&T) with no comments *vide* his letter No. DG P&T.U.O. No. Rep-Civil/2(d) 8621/185, dt. 20.9.2010.

Observation/Recommendation (Para No. 6)

Replacement of dysfunctional VPTs working on Multi Access Radio Relay (MARR) technology is another activity which gets subsidy support from the USO Fund. Audit pointed out that the service providers could not achieve the targets for replacement of MARR VPTs even after one year of the extended period. The Department have clarified that as on 31st July, 2009, 1,37,906 MARR VPTs, out of a total number of 1,38,406 such VPTs have already been replaced. The Committee is informed that as on 31st January, 2010, 1,84,521 MARR VPTs, out of a total number of 1,85,121 such VPTs have been replaced. In this context, the Committee would like to point out that the Department/USO Fund Administration have perhaps not yet been able to identify the exact number of MARR VPTs that needs to be replaced with alternate technologies. This could be corroborated from the above facts and figures furnished by the Department which indicates that approximately 50,000 more MARR VPTs have surfaced between July, 2009 and January, 2010. It is, therefore, imperative that the total number of dysfunctional VPTs working on the faulty MARR technology in the entire country be clearly identified and yearly targets be fixed for their replacement with other reliable technologies in a time-bound manner. The Committee is of the view that the exercise of the replacement of MARR based VPTs, which was initiated long back should now be taken to its logical conclusion in view of the extensions already granted to the service provider as well as the subsidy support given from the USO Fund.

[Para 6, Part II of the Fourteenth Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Action Taken by the Government

Two Agreements were signed with BSNL for the replacement of dysfunctional MARR VPTs. One was for 45649 MARR VPTs replaced between 01.04.2002 & 30.06.2003 while the other one was for the replacement of 1,41,223 MARR VPTs to be **replaced after 01.07.2003**. Thus in all 1,86,872 MARR based VPTs were to be replaced in different Service Areas. M/s BSNL carried out reconciliation of the total number of MARR based VPTs, which had already been replaced between 01.04.2002 & 30.06.2003 as well as MARR VPTs to be replaced after 01.07.2003. As a result of this exercise, the figures were revised in October, 2008 for already replaced MARR VPTs to 47,075 and also for MARR VPTs to be replaced after 01.07.2003 to 1,38,046. Thus **the overall figures of MARR VPTs to be replaced** were revised **from 1,86,872 to 1,85,121**.

All the 47,075 MARR VPTs to be replaced between 01.04.2002 and 30.06.2003 have been replaced. Out of the 1,38,046 MARR VPTs to be replaced after 01.07.2003; 1,37,446 MARR VPTs have been replaced so far. Thus there is no ambiguity with regards to the number of MARR VPTs to be replaced. The overall number of MARR VPTs that have been replaced so far is 184521 out of 185121. BSNL is being impressed upon to replace the remaining 600 MARR VPTs in a time-bound manner.

BSNL has reservations in replacing the remaining 600 MARR VPTs with feasible technology like DSPT within the ambit of the present Agreement as technology specific rates are not defined in the present MARR Agreement as DSPT technology was not an option at the time of signing of the Agreement. BSNL has requested for DSPT

rates for the replacement of the pending 600 MARR VPTs stating that there is no possibility of network reaching these locations in the near future being extremely remote and techno commercially non-viable. As these dysfunctional MARR VPTs need to be replaced to meet the Governments' objective of providing Village Public Telephone facility in all inhabited villages by Feb., 2011, the request of BSNL for providing DSPT rates for replacement of the pending 600 MARR VPTs has been agreed to.

[Ministry of Communications & IT, Department of Telecommunications
F. No. 30-3/2010-USOF (PAC) dated 9.8.2010]

The para is vetted by DG Audit with no comments *vide* his letter No. DG P&T U.O.No. Rep-Civil/2(d)8621/185, dt. 20.9.2010.

Observation/Recommendation (Para No. 7)

The Committee note that as a result of the Audit verification in some service areas, there has been a difference of 38,072 VPTs *i.e.* between the VPTs eligible for subsidy and the VPTs for which subsidy has actually paid. It has resulted in excess disbursement of Rs. 9.25 crore and no recovery has been made. The Committee also find that subsidy has been paid in some service areas like Bihar, Tamil Nadu, Rajasthan and Madhya Pradesh despite the fact that the VPTs in these areas recorded zero/non-incremental meter reading for the entire quarter. It has resulted in excess payment of subsidy to the tune of Rs. 2.18 crore. That the Department have recovered/adjusted excess subsidy payment of Rs. 5.09 crore, Rs. 1.60 crore, Rs. 46 lakh, Rs. 13.85 lakh and Rs. 10.95 lakh in West Bengal, Madhya Pradesh, Rajasthan, Chhattisgarh and Tamil Nadu Telecom circles respectively is no consolation to the Committee as excess payment of subsidy should not have been made at all and whenever it is made it implies that subsidy payment is disbursed without proper verification of records. The Department have reported that the affidavit by the Universal Service Providers (USPs), Auditors' Reports, post-payment verification of claim, field inspection, clauses existing in the USOF agreement and a number of instructions issued are adequate safeguards in ensuring disbursement of appropriate subsidy. But the Committee feel that all the above reported measures will be of little use unless the monitoring system is strengthened. The Committee, therefore, impress upon the Department to further tighten the monitoring mechanism at every level to ensure that subsidy is disbursed only to eligible VPTs and there is no recurrence of cases of excess payment from the USO Fund. The Department's deposition that based on Audit input, they are trying to tighten the system is encouraging and that is precisely why the Committee desire that compliance Action Taken Notes, indicating corrective action taken on the observations/suggestions contained in the C&AG Reports, should be furnished within the prescribed time frame.

[Para 7, Part II of the Fourteenth Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Action Taken by the Government

USOF payments for VPT Agreements are made upon submission of quarterly claims by service providers and are spread over the period of the concerned Agreement (7-8 years). The USPs are required to submit subsidy claims with the respective CCA offices for VPTs already commissioned at the end of the concerned quarter in accordance

with the provisions contained in the concerned USO Agreements and instructions issued from USO HQ from time to time. Along with the claims an affidavit duly signed by the authorized signatory of the USP and the supporting documents such as billing records etc. in support of VPT having been installed and/or functional, are also to be submitted. If at the time of scrutiny of the claims it is noticed that *prima facie* the claims are ineligible because of contravention of USO Agreements and extent instructions, such claims are disallowed. The affidavit is an undertaking which essentially states that the claim has been prepared as per agreement. Post-payment verification of claims and field inspections are also conducted as per the prescribed procedures. These procedures are reviewed periodically and additional checks prescribed where required, based on the inputs received from CCAs. Wherever excess subsidy payment is noted, it is adjusted from subsequent claims along with interest where due. The Auditors' report submitted every financial year by the service provider in support of the authenticity of the claim is an added safeguard over and above the prescribed checks and procedures mentioned above.

Taking cognizance of the fact that in some cases, subsidy claims being submitted by BSNL were at variance with the billing data (and the resultant wrong claims submissions), the following measures have been taken to improve the claims submission and verification process:

(i) Instructions had already been issued for hundred percent verification of claims with reference to billing record/SRC *vide* letter No. 30-15/2004-USOF (Vol. III) dated 16.12.2004, to weed out in-eligible numbers. However, upon finding that the work was incomplete in some CCAs, detailed instructions were issued for completion of verification of VPTs with reference to the SRCs *vide* letter No. 30-15/2004-USOF dated 23.5.2008.

(ii) Instructions were issued *vide* letter No. 1-1/2007-USOF dated 19.11.2007 to the effect that the claims from Q.E. December 2007 onward are required to contain separate list of Non-Incremental Meter Reading (NIMR)/Closed/Disconnection Due to Non Payment (DNP) numbers. This list is to be based upon billing data and is required to be duly certified by the concerned officer incharge of billing.

(iii) As per instructions issued *vide* letter No. 1-1/2008/USOF-337 to 362 dated 6.5.2008, the claims from Q.E. June 2008 onwards are required to be certified by concerned GM/DGM (TR) of concerned BSNL circles to the effect that information furnished in the claims tallies with the billing records.

However, in view of the observations/recommendations of PAC, in order to further tighten the monitoring mechanism to ensure that subsidy is disbursed only to eligible VPTs, instructions have been issued to CCAs *vide* letter No. 30-15/2004-USOF (Vol. III)(Pt)/1401-1423 dated 20-07-2010 that w.e.f. Q.E. June 2010, the subsidy claims under VPT Agreement (s) may be settled only after conducting 100% verification of VPTs claimed against the billing records.

[Ministry of Communications & IT, Department of Telecommunications
F. No. 30-3/2010-USOF (PAC) dated 9.8.2010]

The para is vetted by DG P&T with no comments *vide* his letter No. DG P&T U.O. No. Rep-Civil/2(d) 8621/185, dated 20.9.2010.

Observation/Recommendation (Para No. 8)

The Committee note that the USPs are required to submit the Auditors' Reports to the CCA offices concerned. But the Committee find out that the Auditors' Reports for the year 2004-05 of all the service areas were not available at the USO Headquarter and the disbursement of subsidy of Rs. 1314 crore to six service providers was to be reconciled *vis-a-vis* the Auditors' Reports. The Committee also find that BSNL, Reliance Communications Ltd. and Tata Teleservices Ltd. did not submit the Auditors' Reports for the year 2005-06 within the stipulated time schedule and disbursement of subsidy of Rs. 7.59 crore remained to be certified by the Auditors even after a lapse of two years since the C&AG carried out the performance audit. The Department have submitted before the Committee that subsequent to the Audit observations all the Certificates/Auditors' Reports have been received and recoveries, wherever due have been effected/adjusted and thus, the disbursement of the subsidy amount and relevant claims stand reconciled. The Committee are not satisfied with the Department's deposition. In fact, the Committee are surprised over the fact that even when the submission of Auditors' Reports by the USPs is based on self-certification basis, the service providers defaulted on that count. More astonishingly, subsidy was disbursed even in the absence of the Auditors' Reports and no actions were taken against the defaulting service providers, as candidly admitted by the representative of the DOT in evidence. In view of the fact that timely submission of the Auditors' Reports is a safeguard to ensure no excess payments of subsidy, the Committee desire the Department to ensure that the USPs submit the Auditors' Reports within a definite time frame to the concerned CCAs who, in turn, should expeditiously forward the Reports to the Headquarters for reconciliation with the claims. The Committee desire that the entire process should be further tightened and suitable action taken against the defaulting USPs and the CCAs for non-compliance. The Committee also recommend that the measures initiated by the Department to ensure proper and timely verifications of the claims submitted by the USPs should be intensified further so that subsidy support from USO Fund is released only for the services actually commissioned by the service providers.

[Para 8, Part II of the Fourteenth Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Audit Remarks

DG P&T Audit, has returned the ATN to the above para stating that "All efforts be made to ensure that the USPs submit the Auditors' Report within a definite time-frame to the concerned CCAs who, should expeditiously forward the report to the headquarters for the reconciliation of claims".

Action Taken by the Government

The procedure prescribed, as per instructions issued to CCA offices *vide* letter No. 1-7/2007/USOF- Auditors' Reports/1027-1061 dated 11.9.2007 and corrigendum

dated 14.9.2007 is being followed for authentication of subsidy claims for subsequent years also.

In view of the observations of the PAC and above remarks of DG P&T Audit, to ensure that the service providers submit the Auditors' Report within a definite time frame to the concerned CCAs so as to enable timely verification of the claims submitted by the service providers, instructions have been issued to all USPs/IPs *vide* letter No. 1-7/2008-USOF/Auditors' Reports/1110-1158 dt. 28.6.2010 with copy to all CCAs impressing upon them the requirement of strict observance of the concerned service areas/USOF (HQ) as per provisions of USO Agreements. **It has been specifically mentioned that in case of non-filing of Auditors' Reports within the stipulated time limit, the subsidy disbursed based on quarterly claim statements of previous year(s) may not be considered to be finally adjusted. As such subsidy paid would be liable to be recovered/adjusted along with interest at the PLR of the SBI from the subsidy claims of subsequent period/any other claim (including invoking of set off clause of the USO Agreements), by treating the entire amount as 'excess payment' being not certified by the Auditors. Suitable instructions in this regard have also been issued to the CCAs for acting upon these directions.** This office has reiterated the instructions to concerned CCAs and IPs/USPs to ensure the timely submission of Auditors' Report and intimate recovery particulars to Head quarter *vide* this office letter No. 1-7/2007-USOF dated 1.9.2010 resultant that the Auditors' Report from all CCAs for 2007-08 have been received and excess payment pointed out by Auditors have been recovered in all cases. The Auditors' Reports due for 2008-09 have largely been received from CCAs and in the small number of cases where the same have not been received, recoveries are being effected. Thus, it may kindly be seen that in pursuance of recommendations of PAC the system of monitoring has been suitably tightened further to ensure that all Auditors certificates due are received and necessary action for reconciliation/recovery is effected in time.

[Ministry of Communications & IT, Department of Telecommunications
F.No. 30-3/2010-USOF (PAC) dated 12.10.2010]

The para 8 of part II of the 14th Report of the PAC (15th Lok Sabha) has been vetted with the remarks "No Comments" *vide* DGA P&T U.O. No. Rep-Civil/2(d) 8621/263, dated 20.10.2010.

Comments of the Committee

Please *see* paragraph No. 11 of Chapter I.

Observation/Recommendation (Para No. 9)

When the performance audit of the USO Fund Administration was carried out it was found that claims amounting to Rs. 407.83 crore pertaining to different USPs were pending for settlement due to delays on the part of the service providers in furnishing the requisite clarifications or additional information as well as on the part of the USO Headquarters in providing clarifications sought for by the CCAs. However, pursuant to the Audit observations, vigorous efforts have been made by the Department and

the system has reportedly been improved considerably. As a result of the maintenance of an accurate data base and its scrupulous monitoring in regard to receipt of claims, settlement and pending position thereof, the pending claims have come down to Rs. 24 crore as on 11 March, 2010. The Committee are not convinced with the argument that as the process of settlement of claims of the USPs is a protracted one some delay in this regard is inevitable. It is true that withholding the claims is a form of internal control exercised by the CCAs to ensure accuracy, but it is also a fact that the need for withholding the claims arises only when there are deficiencies in the pre and post claim verification method. The Committee, therefore, impress upon the Department and the USO Fund Administration to streamline the system of settlement claims by adhering to a clear-cut and definite time schedule and resorting to a foolproof verification mechanism so that settlement of genuine claims are not delayed inordinately. Steps in this direction may be brought to the attention of the Committee.

[Para 9, Part II of the Fourteenth Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Action Taken by the Government

As per financial conditions of Agreement, the USO claims should generally be settled within thirty days of receipt. This fact has been impressed upon to the CCA offices.

Detailed instructions were issued *vide* letter No. 1-1/2008-USOF (Payments)/206-230 dt. 17.4.2008 for observance of prescribed time schedule for settlement of claims. The instructions in this regard were reiterated *vide* letter No. 1-1/2009-USOF/Claim-Corr./1364-1385 dt. 10.9.2009. It was also specified in the letter *ibid* that even in exceptional circumstances the process should be completed before receipt of claims of subsequent quarters. However, there may be occasions that due to various reasons some amount is kept withheld for want of certain information/document from the USP, which causes delay in final settlement of such claims.

Vigorous pursuance is made by USO Administration for timely settlement of USO subsidy claims. In this connection repeated instructions have been issued to CCAs, including recently issued instructions *vide* letters No. 1-1/2009-USOF/Claim-Corr./714-736 dt. 2.6.2010 and No. 1-1/2009-USOF/Claim-Corr./1060-1082 dt. 28.6.2010.

In the All India CCAs Conference held on May, 10-11, 2010 in USO (HQ), the status of unsettled/withheld claims was also discussed in detail and a definite time schedule has been drawn for final settlement of all claims up to Q.E. Dec. 2009 and submission of compliance report thereof to USO (HQ).

As a result of vigorous pursuance, no claim up to Q.E. Dec. 2006 (as pointed out in the C&AG report) is lying unsettled. In fact, no claim up to Q.E. Mar. 2009 is lying unsettled. However, claims for a small amount of Rs. 19.35 Cr. up to Q.E. Dec. 2006 are lying withheld for the clearance of which a definite time schedule has been drawn and is being monitored.

The timely settlement of unsettled/withheld claims is thus being closely and effectively monitored.

[Ministry of Communications & IT, Department of Telecommunications
F. No. 30-3/2010-USOF (PAC) dated 9.8.2010]

The para is vetted by DG (P&T) Audit with No Comments *vide* his letter No. DG P&T U.O. No. Rep-Civil/2(d) 8621/185, dated 20.9.2010.

Comments of the Committee

Please *see* paragraph No. 14 of Chapter I.

Observation/Recommendation (Para No. 11)

The Committee note that in the Andhra Pradesh Telecom Circle, none of the service providers, except Tata Teleservices Ltd., had furnished operator-wise detail of pass through charges in the Adjusted Gross Revenue (AGR) Statements for the years 2005-06 and 2006-07. The Department have stated that as per the proforma prescribed, the operator-wise details on account of pass-through charges from other operators is not required. The Committee feel that the contention of the department is not tenable as Para D-IV of the format submitted alongwith the Action Taken to Audit specifies that operators have to depict the pass-through charges in Revenue section of the format *ibid*. As in the absence of the details of the pass-through charges in the AGR, the authenticity/correctness of the amount of USL collected cannot be vouched for in audit, the Committee recommend that henceforth the operator-wise details on account of pass-through charges from other operators should invariably be included in the AGR. Non-insistence/enforcement of this condition is a serious default on the part of the Department.

[Para No. 11, Part-II of the Fourteenth Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Action Taken by the Government

Necessary amendments have been made by the licensing branch in the license agreement *vide* order No. 20-271/2010-AS-I-UASL dated 31.8.2010 and order No. 20-271/2010-AS-I-CMTS. The extracts of the same are reproduced as under:—

1. "In pursuance of Condition 5.1 of the UAS License Agreement(s), the Licensor hereby substitute the APPENDIX-II to ANNEXURE-II— **Format of Statement of Revenue and License Fee** of the Unified Access Services (UAS) License Agreement with the **APPENDIX-II to ANNEXURE-II Format of statement of Revenue and License Fee** as annexed to this amendment with effect from 1.9.2010." (Copy enclosed)
2. "In exercise of the power conferred in the Cellular Mobile Service (CMTS) license agreement, the LICENSOR hereby substitutes the **APEENDIX-II to ANNEXURE-II— 'Format of Statement of Revenue and License Fee'** of the Unified Access Services (UAS) License Agreement with the **'Format of Statement of Revenue and License Fee'** as annexed to this amendment with effect from 1.9.2010." (Copy enclosed)

In this connection, reply in the ATN format in respect of CAG Para No. 1.7.2.1 of C&AG Report No. PA of 2008 has also been revised and sent for vetting remarks *vide* letter No. 27-9A/2008-AC, dated 17.9.2010. (Copy enclosed)

[Ministry of Communications & IT, Department of Telecommunications
File No. 5/2010/LF-I, dated 01.10.2010]

Para No. 11, Part-II of PAC has been vetted by DG Audit (P&T) *vide* U.No. Rep-Civil/12 (d) 8621/219, dated 1.10.2010.

**Action Taken Note on the Report of C&AG of India for the year ended
31st March, 2008**

Sl. No.	Item No.	Para-wise Remarks
I. (a)	Ministry/Department	Ministry of Communications & IT Department of Telecommunications.
	(b) Subject/Title of the review/paragraph	Non-furnishing of operator-wise details of pass-through charges in collection of Universal Service levy.
	(c) Paragraph No.	1.7.2.1.
	(d) Report No. and year	PA 1 of 2008.
II. (a)	Date of receipt of the Draft Audit Paragraph/Review in the Ministry	16.03.2009 and 08.09.2010.
	(b) Date of Ministry's reply	08.07.2009 subsequently revised on 19.02.2010 and 15.09.2010.
III.	Gist of Paragraph/Review	Non-submission of operator-wise details of pass-through charges received from and paid to other operators.
IV. (a)	Do the Ministry agree with facts and figures included in the paragraph	No
	(b) If not, please indicate the areas of disagreement and also attach documents in support	However, format of 'Statement of Revenue and License Fee (AGR)' given in the License agreement, has been revised <i>vide</i> Circular No. 20—271/2010- AS-I-UASL/CMTS dated 31.08.2010 with the amendments indicating 'to submit operator-wise details on account of pass- through charges for revenue receipt as well as in the deduction side'. (copy enclosed)
V. (A)	Main Audit conclusion:—	
	1. Deficiency in the existing system	Not applicable.
	2. Failure to follow the system	Not applicable.
	3. Failure of individuals	Not applicable.
	4. Amount of loss/short assessment/short key	Amount has not been mentioned in the para.

Sl. No.	Item No.	Para-wise Remarks
(B)	Does the Ministry agree with the Audit conclusion? If not, please indicate specific areas of disagreement, reasons for, disagreement and also attach copies of relevant documents	Yes.
VI.	Remedial Action Taken:—	
(i)	Improvement in system and procedures including internal controls	Since the AGR is arrived at after allowing deductions on account of pass through charges and resultant License fee is collected accordingly as per the prescribed License fee rates, as such there is not short recovery of US Levy.
(ii)	Recovery of over payment as pointed out by Audit	Not applicable.
(iii)	Recovery of under assessment, short levy of other dues	Not applicable.
(iv)	Write off of amount of losses/wasteful Expenditure/Irrecoverable amount	Not applicable.
(v)	Modification in the scheme, including financing pattern	Not applicable.
(vi)	Review of similar cases/complete scheme	Not applicable.
(vii)	Review of similar cases/complete scheme/project in light of findings of sample check by Audit	Not applicable.

This issue with the approval of Members (F).

Sd/-
Director (LF-I)

No. 20-271/2010-AS-I-UASL
Government of India
Ministry of Communications & IT
Department of Telecommunications
(Access Services Division)
1203, Sanchar Bhavan, Ashok Road, New Delhi-110 001

31st August, 2010

To,

All the UAS Licensees Company

Subject: Amendment of Unified Access Services (UAS) Licence Agreement regarding Format of Statement of Revenue and Licence Fee.

In pursuance of Condition 5.1 of the UAS Licence Agreement(s), the LICENSOR hereby substitutes the '**APPENDIX-II TO ANNEXURE-II- Format of Statement of Revenue and Licence Fee**' of the Unified Access Services (UAS) Licence Agreement with the '**APPENDIX-II TO ANNEXURE-II—Format of Statement of Revenue and Licence Fee**' as annexed to this amendment with effect from **01.09.2010**.

2. All other terms and conditions of the UAS Licence Agreement including amendments and instructions issued from time to time shall remain unchanged.

3. Please acknowledge receipt.

Encls.: As above.

Sd/-
(R.K. Gupta)
Director (AS-I)
For and on behalf of the President of India
Ph. No. 2303 6284

Copy to:

1. Administrator USOF/Wireless Advisor/Sr. DDG(TEC)
2. JS(T)/DDG (Security)/DDG (Security-Term)/DDG(CS)/DDG(DS)/DDG (LF-I)/DDG(LF-II)/DDG(WPF)
3. Secretary, TRAI
4. Director (IT) may kindly arrange to upload this letter on the website of DoT.

APPENDIX II TO ANNEXURE II

Format of Statement of Revenue and Licence Fee
 _____(Name and address of operator)
 Unified Access Services in _____(Service Area)
 Statement of Revenue and Licence Fee for the Quarter

 of the financial year.....

(Amount in Rupees)

S.No.	Particulars	Actuals for the previous quarter	Actuals for the current quarter	Cumulative upto the current quarter
1	2	3	4	5

1. Revenue from services

A. Revenue from wireline subscribers

- (i) Rentals
- (ii) Call revenue within service area
- (iii) National LONG DISTANCE CALL revenue
- (iv) International LONG DISTANCE CALL revenue
- (v) Pass-through revenue for usage of other networks (give OPERATOR-wise details)
- (vi) Service tax
- (vii) Service charges
- (viii) Charges on account of any other value added services, Supplementary Services etc.
- (ix) Any other income/ miscellaneous receipt from

1	2	3	4	5
	wireline subscribers			
B.	Revenue from WLL subscribers (Fixed)			
	(i) Rentals			
	(ii) Call revenue within service area			
	(iii) National long distance call revenue			
	(iv) International long distance call revenue			
	(v) Pass-through revenue for usage of other networks (give operator-wise details)			
	(vi) Service tax			
	(vii) Service charges			
	(viii) Charges on account of any other value added services, Supplementary Services etc.			
	(ix) Any other income/ miscellaneous receipt from WLL subscribers			
C.	Revenue from WLL subscribers (Handheld)			
	(i) Rentals			
	(ii) Call revenue within service area			
	(iii) National long distance call revenue			
	(iv) International long distance call revenue			
	(v) Pass through revenue for usage of other networks (give operator-wise details)			
	(vi) Service tax			
	(vii) Service charges			

1	2	3	4	5
	(viii) Charges on account of any other value added services, Supplementary Services etc.			
	(ix) Any other income/ miscellaneous receipt from WLL subscribers			
	D. Revenue from Mobile Services			
	D. (a) Revenue from GSM and 3G spectrum based Mobile Services			
	D. (a) 1. Post paid options			
	(i) Rentals			
	(ii) Activation Charges			
	(iii) Airtime Revenue			
	(iv) Pass through charges (provide operator-wise details)			
	(v) Service Tax			
	(vi) Roaming charges			
	(vii) Service Charges			
	(viii) Charges on account of any other value added services, Supplementary Services etc.			
	(ix) Any other income/post-paid options			
	D. (a) 2. Pre-paid options			
	(i) Sale of pre-paid SIM cards including full value of all components charged therein.			
	(ii) Any other income/ miscellaneous receipt from pre-paid options.			
	D. (a) 3. Revenue from Mobile			
	(i) Community phone service including full value of all components charged therein.			

1	2	3	4	5
	(ii) Any other income/ miscellaneous receipt from Mobile Community phone service.			
	D. (b) Revenue from CDMA based Mobile Services			
	D. (b) 1. Post-paid options			
	(i) Rentals			
	(ii) Activation Charges			
	(iii) Airtime Revenue			
	(iv) Pass through charges (provide operator-wise details)			
	(v) Service Tax			
	(vi) Roaming charges			
	(vii) Service charges			
	(viii) Charges on account of any other value added services, supplementary Services etc.			
	(ix) Any other income/ miscellaneous receipt from post-paid options.			
	D. (b) 2. Pre-paid options			
	(i) Sale of pre-paid SIM cards including full value of all components charged therein.			
	(ii) Any other income/ miscellaneous receipt from pre-paid options.			
	D. (b) 3. Revenue from Mobile			
	(i) Community phone service including full value of all components charged therein.			

1	2	3	4	5
	(ii) Any other income/ miscellaneous receipt from Mobile Community phone service.			
	D. (c) Revenue from BWA Services			
	D. (c) 1. Post-paid options			
	(i) Rentals			
	(ii) Activation Charges			
	(iii) Airtime Revenue			
	(iv) Pass through charges (provide operator-wise details)			
	(v) Service Tax			
	(vi) Roaming charges			
	(vii) Service Charges			
	(viii) Charges on account of any other value added services, Supplementary Services etc.			
	(ix) Any other income/ miscellaneous receipt from post-paid options.			
	D. (c) 2. Pre-paid options			
	(i) Sale of pre-paid SIM cards including full value of all components charged therein.			
	(ii) Any other income/ miscellaneous receipt from pre-paid options.			
	D. (c) 3. Revenue from Mobile			
	(i) Community phone service including full value of all components charged therein.			

1	2	3	4	5
	(ii) Any other income/ miscellaneous receipt from Mobile Community phone service.			
E. 1.	Revenue from Voice Mail Service			
2.	Income from trading activity (all including of sales tax)			
	(i) Sale of handsets			
	(ii) Sale of accessories etc.			
	(iii) Any other income/ miscellaneous receipt from trading activity.			
3.	Revenue from roaming			
	(i) Roaming facility revenue from own subscribers.			
	(ii) Roaming revenue from own subscriber visiting other networks including STD/ISD/pass through charges for transmission of incoming call during roaming.			
	(iii) Roaming Commission earned.			
	(iv) Roaming revenue on account of visiting subscribers from other networks (provide operator-wise details).			
	(v) Service Tax if not included above.			
	(vi) Any other income/miscellaneous receipt from roaming.			
4.	Income from investments			
	(i) Interest income			
	(ii) Dividend income			
	(iii) Any other miscellaneous receipt from investments.			

1	2	3	4	5
5.	Non-refundable deposits from subscribers.			
6.	Revenue from franchisees/ resellers including all commissions and discounts etc. excluding the revenues already included in IA & IB.			
7.	Revenue from sharing/ leasing of infrastructure.			
8.	Revenue from sale/lease of bandwidth, links, R&G cases, turnkey projects etc.			
9.	Revenue from other operators on account of pass through call charges (provide operator-wise details).			
10.	Revenue from other operators on account of provisioning of interconnection (provide operator-wise details).			
11.	Miscellaneous revenue			
AA.	GROSS REVENUE OF THE LICENSEE COMPANY: (Add 1-11)			
BB.	DEDUCT:			
1.	Charges actually paid to other Service Provider(s) (operator-wise).			
2.	Roaming revenues actually paid to other CMSPs and GMPCS service providers (operator-wise).			
3.	Service Tax paid to the Government.			

1	2	3	4	5
4.	Sale Tax paid to the Government			
BB.	TOTAL DEDUCTIBLE REVENUE (1+2+3+4)			
CC.	ADJUSTED GROSS REVENUE (AA-BB)			
	REVENUE SHARE @..... OF ADJUSTED GROSS REVENUE			

No. 20-271/2010-AS-I-CMTS
Government of India
Ministry of Communications & IT
Department of Telecommunications
(Access Services Division)
1203, Sanchar Bhavan, Ashok Road, New Delhi-110 001.

31st August, 2010

To,

All the CMTS Licensees

Subject: Amendment of Cellular Mobile Telephone Service (CMTS) Licence Agreement regarding Format of Statement of Revenue and Licence Fee.

In exercise of the power conferred in the Cellular Mobile Telephone Service (CMTS) licence agreement, the LICENSOR hereby substitutes the '**Format of Statement of Revenue and Licence Fee**' of the Unified Access Services (UAS) Licence Agreement with the '**Format of Statement of Revenue and Licence Fee**' as annexed to this amendment with effect from **01.09.2010**.

2. All other terms and conditions of the CMTS licence agreement including amendments and instructions issued from time to time shall remain unchanged.

3. Please acknowledge receipt.

Encls.: As above.

Sd/-
(R.K. Gupta)
Director (AS-I)
For and on behalf of the President of India
Ph. No. 23036284

Copy to:

1. Administrator USOF/Wireless Advisor/Sr. DDG(TEC)
2. JS(T)/DDG(Security)/DDG(Security-Term)/DDG(CS)/DDG(DS)/DDG(LF-I)/DDG(LF-II)/DDG(WPF)
3. Secretary, TRAI
4. Director (IT) may kindly arrange to upload this letter on the website of DoT.

Format of Statement of Revenue and Licence Fee
.....(Name and address of operator)
Cellular Mobile Telephone Service in.....(Service Area)
Statement of Revenue and Licence Fee for the Quarter
.....
of the financial year.....

(Amount in Rupees)

S.No.	Particulars	Actuals for the previous quarter	Actuals for the current quarter	Cumulative upto the current quarter
1	2	3	4	5
1. Revenue from Services				
A. Revenue from GSM and 3G spectrum based Mobile Services:				
A. (a) Post-paid options:				
	(i) Rentals			
	(ii) Activation Charges			
	(iii) Airtime Revenue			
	(iv) Pass through charges (provide operator-wise details)			
	(v) Service Tax			
	(vi) Roaming charges			
	(vii) Service charges			
	(viii) Charges on account of any other value added services, Supplementary Services etc.			
	(ix) Any other income/ miscellaneous receipt from post-paid options.			

1	2	3	4	5
A. (b)	Pre-paid options:			
	(i) Sale of pre-paid SIM cards including full value of all components charged therein.			
	(ii) Any other income/ miscellaneous receipt from pre-paid options.			
A. (c)	Revenue from Mobile:			
	(i) Community phone service including full value of all components charged Mobile Community phone service.			
B.	Revenue from CDMA based Mobile Services:			
B. (a)	Post-paid options:			
	(i) Rentals			
	(ii) Activation Charges			
	(iii) Airtime Revenue			
	(iv) Pass through charges (provide operator-wise details)			
	(v) Service Tax			
	(vi) Roaming charges			
	(vii) Service charges			
	(viii) Charges on account of any other value added services. Supplementary Services etc.			
	(ix) Any other income/ miscellaneous receipt from post-paid options.			
B. (b)	Pre-paid options:			
	(i) Sale of pre-paid SIM cards including full value of all components charges therein.			

1	2	3	4	5
	(ii) Any other income/ miscellaneous receipt from pre-paid options.			
	B. (c) Revenue from Mobile:			
	(i) Community phone service including full value of all components charged therein.			
	(ii) Any other income/ miscellaneous receipt from Mobile Community phone service.			
	C. Revenue from BWA Services:			
	C. (a) Post paid options:			
	(i) Rentals			
	(ii) Activation Charges			
	(iii) Airtime Revenue			
	(iv) Pass through charges (provide operator-wise details)			
	(v) Service Tax			
	(vi) Roaming charges			
	(vii) Service charges			
	(viii) Charges on account of any other value added services. Supplementary Services etc.			
	(ix) Any other income/ miscellaneous receipt from post-paid options.			
	C. (b) Pre-paid options:			
	(i) Sale of pre-paid SIM cards including full value of all components charged therein.			

1	2	3	4	5
	(ii) Any other income/ miscellaneous receipt from pre-paid options.			
	C. (c) Revenue from Mobile			
	(i) Community phone service including full value of all components charged therein.			
	(ii) Any other income/ miscellaneous receipt from Mobile Community phone service.			
	D. Revenue from Voice Mail/any other value added service			
	2. Income from trading activity (all including of sales tax)			
	(i) Sale of handsets			
	(ii) Sale of accessories etc.			
	(iii) Any other income/ miscellaneous receipt from trading activity.			
	3. Revenue from roaming			
	(i) Roaming facility revenue from own subscribers.			
	(ii) Roaming revenue from own subscribers visiting other networks including STD/ISD/pass through charges for transmission of incoming call during roaming.			
	(iii) Roaming Commission earned.			
	(iv) Roaming revenue on account of visiting subscribers from other networks (provide operator- wise details).			

1	2	3	4	5
	(v)	Service Tax, if not included above.		
	(vi)	Any other income/ miscellaneous receipt from roaming.		
4.	Income from investments			
	(i)	Interest income		
	(ii)	Dividend income		
	(iii)	Any other miscellaneous receipt from investments.		
5.	Non-refundable deposits from subscribers			
6.	Revenue from franchisees/ resellers including all commissions and discounts etc. excluding the revenues already included in IA&IB			
7.	Revenue from sharing/ leasing of infrastructure			
8.	Revenue from sale/lease of bandwidth, links, R&G cases, turnkey projects etc.			
9.	Revenue from other Operators on account of pass through call charges (provide operator-wise details)			
10.	Revenue from other Operators on account of provisioning of interconnection (provide operator-wise details)			
11.	Miscellaneous revenue			
AA.	Gross revenue of the Licensee Company (Add 1-11)			

1	2	3	4	5
B.B. DEDUCT:				
1.	Charges actually paid to other service provider(s) (operator-wise)			
2.	Roaming revenues actually paid to other CMSPs And GMPCS service providers (operator-wise).			
3.	Service Tax paid to the Government			
4.	Sales Tax paid to the Government			
B.B.	Total Deductible Revenue (1+2+3+4)			
C.C.	Adjusted Gross Revenue (AA-BB)			
	Revenue Share @.....			
	of Adjusted Gross Revenue			

OFFICE OF THE DIRECTOR GENERAL OF AUDIT, P&T, DELHI-110054

Ministry may refer to their communication no. 27-9A/2008-AC, dated 27 September 2010 forwarding therewith Action Taken Note on Recommendations/Observations on para no. 11 of 14th Report of 15th Lok Sabha on Administration of USO Fund is returned with the following remarks.

Para 11, part II of the fourteenth report of the Public Accounts Committee (Fifteenth Lok Sabha) is returned with the remarks “No Comments”.

This issue with the approval of the Director General of Audit, P&T.

Sd/-

Deputy Director (Report)

Ambika Prasad ADG (AC), Department of Telecommunications, Sanchar Bhawan, New Delhi DGAP&T U.O. No. Rep-Civil/2(d) 8621/219, dated 20.09.2010

Observation/Recommendation (Para No. 12)

The Committee note that there is a provision for imposition of Liquidated Damages (LD) in the Agreement for non-fulfilment of roll out obligations by the USPs within the stipulated time period and are constrained to observe that recoverable Liquidated Damages of Rs. 2 crore not been recovered from BSNL, Reliance Communications Ltd., and Tata Teleservices Ltd., even though these companies failed to honour their respective contractual obligations within the prescribed time line till the Department swung into action after PAC took up the subject for examination. Here, the Committee would like to point out that the amount of Liquidated Damages to be imposed upon the defaulting USPs should be calculated after careful scrutiny and verification in order to avoid loss to the exchequer and embarrassment for the Ministry.

[Para 12, part II of the Fourteenth report of the Public Accounts Committee (Fifteenth Lok Sabha)]

Action Taken by the Government

Instructions were issued to CCA offices *vide* USOF letter No. 30-15/2004/USOF (Vol. III) dt. 28-05-2007 for levying of liquidated damages (LD) for non-fulfilment of roll out obligation by USPs. Further, instructions were also issued from time to time for calculation of LD and recovery thereof keeping in view the provisions of USOF Agreements and amendments thereof. The instructions for recovery of LD and its

correct booking in the accounts of DoT have also been reiterated in the recent past *vide* USOF letters mentioned below:—

- I. No. 1-1/2009-USOF/Claim-Corr./1364-1385 dt. 10-09-2009
- II. 30-15/2004-USOF(Vol.III)(Pt)/3497-3579 dt. 02-03-2010
- III. 1-1/2009-USOF/Claim-Corr./714-736 dt. 02-06-2010
- IV. 1-1/2009-USOF/Claim-Corr./1060-1082 dt. 28-06-2010

In the All India CCAs conference held in DoT (HQ) on May, 10-11, 2010, the issue regarding recovery of LD in all cases of non-fulfilment of roll out obligation by USPs in respect of various USO activities and its correct booking in the DoT accounts was *inter alia* discussed in detail and all CCAs were directed to effect recovery of LD for non-observance of provisions in the USO Agreement (including amendments made from time to time) regarding roll out obligation.

Up to the year ending 31-03-2010, LD of Rs. 6.05 Cr. has been recovered for non-fulfilment of roll out obligation in respect of various USOF activities and booked in the Accounts DoT.

The matter is under close and regular monitoring of USOF.

[Ministry of Communications & IT, Department of Telecommunications
F.No. 30-3/2010-USOF (PAC), dated 9-8-2010]

The Para is vetted for DG P&T with no comments *vide* his letter No. DG P&T UON. Rep-Civil/2(d) 8621/185, dt.2009-10

Observation/Recommendation (Para No. 14)

The Committee note that although there is a provision in the Agreements for the Administrator, USO Fund to carry out the performance tests either directly or through the authorized agencies and also evaluate the quality of service parameters for the VPTs at any time during the tenure of the Agreement, yet the Administrator, USO Fund has not undertaken any such evaluation in respect of each of the Agreements entered into with the service providers. The Department's contention that Telecom Regulatory Authority of India (TRAI) is regularly conducting the QoS tests of the telecom network created by different USPs does not entitle the Administrator, USO Fund to abdicate its duties. The Committee feel that evaluation by the USO Fund Administrator would rather provide valuable inputs to TRAI helping the latter in coming to a more meaningful conclusion in their consultation papers/recommendations. The Committee, therefore, desire that the USO Fund Administrator carry out periodical evaluation of the telecom network created by the USPs in rural areas so that the outflow from the USO Fund is commensurate with quality provision of telecom connectivity and services.

[Para 14, part II of the Fourteenth Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Action Taken by the Government

Under the VPT Agreement, the USPs are required to work within the technical conditions of basic service licence and Quality of Service (QoS) parameters are to be maintained for basic telecommunication services as prescribed by TRAI.

As per provisions of TRAI Act 1997, the functions of TRAI, *inter alia*, include monitoring the quality of service and conduct the periodical survey of such services by the service providers in both rural and urban areas. TRAI is regularly conducting the Quality of Service (QoS) tests of the Telecom network created by the different service providers in various service areas. The QoS parameters for basic telephone services include provision of telephones after registration of demand, fault incidences, mean time taken to repair and call completion rate etc. (as pointed out by audit.).

As regards the matter of proper functioning of VPTs in accordance with the specific terms & conditions of USO Agreements, including aspects such as functional status of VPTs, public access, display boards grievance redressal etc., these issues are being regularly monitored by field units.

At the time of preliminary checking of claims before subsidy payment various supporting documents *inter alia* the affidavit and the billing records etc. are verified to establish conformity with Agreement conditions and claims are disallowed accordingly. Post payment verification carried out by CCA Offices also stresses upon verification of these aspects. Based upon the inputs from field units non-provision of STD facilities, sign boards, public access charge indicators and other problems such as ineffective grievance redress, billing and payment issues, power problems affecting functioning of CDMA Fixed Wire less Terminal VPTs etc. effective measures have been taken by USOF Administration towards improvement in the performance of VPTs as briefly outlined below:—

- I. Reference was made from the Administrator, USOF to the CMD, BSNL *vide* D.O. letter dated 12.9.07, pointing out certain shortcoming based on the feedback on functioning of VPTs, received from field units of DoT and to remove such shortcomings. In particular BSNL was requested to review the position regarding provision of STD facilities and charge indicators to VPTs, commission rates and security deposits for VPTs, powering of VPTs/RLPs on CDMA Technology, disconnection of VPTs and possibility of prepaid mode of payment for VPTs creation of public awareness and ensuring public access for VPTs and provision of genuine and effective grievance redressal mechanisms etc.
- II. Meeting was held by Administrator USOF with the CMD, BSNL on 16.12.07 regarding improvement in functioning of VPTs. Minutes of the meeting were forwarded to BSNL *vide* letter dt. 4.12.07 for time bound action plan agreed upon in the meeting.
- III. In order to take follow up action on the decisions taken in the meeting of Administrator, USOF with CMD, BSNL to discuss remedial actions needed for improving the performance of VPTs, a D.O. reference was made by BSNL Corporate office to the Chief General Manager BSNL circles *vide* letter dt. 30.11.2007.

- IV. All CCA offices were addressed *vide* letter dt. 20.12.2007 enclosing therewith a copy of letter dt. 30.11.2009 from BSNL to CGMs of BSNL circles, for monitoring the action points decided in the meeting of Administrator, USOF with CMD, BSNL and to furnish feedback to USOF (HQs) regarding the performance of USOF sponsored schemes.
- V. *Vide* USOF letter dt. 1.4.2008, DDG (RN) was requested to furnish progress on each of the agenda items discussed in the meeting dt. 16.11.2007 with CMD, BSNL.
- VI. Feedback in reference to USOF letter dt. 1.4.2008 was received from BSNL Corporate office *vide* letter dt. 23.4.2008.
- VII. On review of feedback received from BSNL, it was noticed that some of the issues highlighted in the meeting dt. 16.11.2007 of the Administrator, USOF with CMD, BSNL had not been followed up entirely in keeping with the spirit of the decisions made in the meeting. A D.O. reference was therefore made by Administrator, USOF to the CMD, BSNL *vide* letter dt. 8.5.2008 for personal attention on certain issues so as to ensure that the VPT becomes a self-sustaining and financially viable means of public access to the rural population.
- VIII. Based on the progress report submitted by BSNL w.r.t. the agenda points of the meeting dt. 16.11.07; CCA offices were requested to provide detailed feedback on the various agenda points, *vide* letter dt. 13.5.2008.
- IX. A reference was made to CMD, BSNL *vide* letter dt. 18.9.2008 pointing out poor functioning of VPTs in Tamil Nadu circle, with the request to take urgent action towards proper implementation of the terms and conditions of the VPT Agreements and the instructions issued by USOF (HQs) and BSNL C.O. for improving the functioning of VPTs.
- X. A D.O. reference was made from Administrator, USOF to the CMD, BSNL *vide* letter dt. 9.1.2009 with the request *inter alia* to ensure that due care is taken by BSNL towards proper field level implementation of USO schemes and correct submission of subsidy claims.

As stated above concerted efforts are being made to bring about improvement in the functioning and performance of VPTs and the entire system is being closely and effectively monitored. Further, in subsequent VPT Agreements conditions relating to subsidy payment have been further tightened to ensure adherence to provisions of Agreements regarding aspects such as public access, solar chargers, STD, Charges Indicators and Sign Boards etc.

Further, in addition to above a new sample based procedure for physical inspection and verification of VPTs has been evolved *vide* letter No. 30-12/2007- USOF dt. 28-10-2009 and is being implemented.

Review is carried out on regular basis to bring about improvement in system.

[Ministry of Communications & IT, Department of Telecommunications
F.No. 30-3/2010-USOF (PAC), dated 9.8.2010]

The para is vetted by DG P&T Audit with no Comments *vide* his letter no. DG PT-Rep-Civil/2(d) 8621/185, dt. 20-9-2010.

CHAPTER III

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

Observation/Recommendation (Para No. 13)

According to the Department, the USPs have been seeking extensions of the roll out period citing not only natural calamities, difficult terrain, insurgency etc. but also grounds of technical problems such as non-availability of equipment, power supply, points of interconnection, transponders etc. The Department, on their part, have been granting extensions considering the difficulties of the service providers and thus no Liquidated Damage is being imposed upon the USPs for their inability to meet the roll out obligations. In this context, the Committee feel that so far as the problems of natural calamities, difficult terrain and insurgency are concerned, the Department may sympathetically consider granting suitable extension of time in the fulfilment of the roll out obligations. But, problems like non-availability of equipment, power supply and Point of Interconnections should, under no circumstances, be considered valid causes for extension of time as these imply lack of adequate planning and management. The Committee are, therefore, of the view that in such cases when the USPs fail to achieve the roll out obligations within the stipulated time period, Liquidated Damages should invariably be imposed upon and recovered from them.

[Para 13, Part II of the Fourteenth Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Action Taken by the Government

USO Funds has been giving extensions in roll out period without the imposition of LD considering the remoteness, difficult terrain, insurgency related issues. Extensions without LD have been given on account of non-availability of equipment, to be more precise satellite transponders (on account of failure of INSAT 4C and DSPTs) in case of BSNL, non-provision of power supply by State Electricity Boards and issues of connectivity for establishment Point of Interconnections by incumbent operator only because such matters were beyond the control of the Service Providers seeking extensions. As the basic objective of USO Fund is to provide accessibility of telecom services to people in the rural and remote areas at affordable and reasonable prices, the roll out period was extended for service providers without imposing Liquidated Damages keeping in view these difficulties. However, settlement of subsidy claims for the MARR VPTs provided after March 2009, RCPs provided by BSNL after December 2008, RCPs provided by Reliance after March 2009, VPTs under Bharat Nirman provided after November 2009 and towers provided under Shared Mobile Infrastructure Scheme Phase I after December 2009 (in respect of BSNL and KEC) and after May 2009

(in respect of other operators) is being done after imposition of the LD charges as per the terms and conditions of the Agreement.

Instructions have been issued to CCA offices for recovery of LD charges for non-fulfilment of roll out obligation by USPs as per USO Agreements (including amendments made from time to time) and its correct booking in the accounts of DoT *vide* USOF letters mentioned below:—

- I. No. 1-1/2009-USOF/Claim-Corr./1364-1385, dt. 10-09-2009
- II. 30-15/2004-USOF (Vol. III) (Pt)/3497-3579, dt. 02-03-2010
- III. 1-1/2009-USOF/Claim-Corr./714-736, dt. 02-06-2010
- IV. 1-1/2009-USOF/Claim-Corr./1060-1082, dt. 28-06-2010

In the All India CCAs conference held in DoT (HQ) on May, 10-11-2010, the issue regarding recovery of LD in all cases of non-fulfilment of roll out obligation by USPs in respect of various USO activities and its correct booking in the DoT accounts was *inter alia* discussed in detail and all CCAs were requested for recovery of LD for non-observance of provisions in the USO Agreement (including amendments made from time to time) regarding roll out obligation.

Up to the year ending 31-03-2010, LD of Rs. 6.05 Cr. has been recovered for non-fulfilment of roll out obligation in respect of various activities and booked in the accounts DoT.

[Ministry of Communications & IT, Department of Telecommunications
F.No. 30-3/2010-USOF (PAC), dated 9.8.2010]

The para is vetted by GD P&T Audit with no Comments *vide* in letter No. 40, no Report-Civil/2 (d) 8621/185, dt. 21.9.2010.

CHAPTER IV

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

Observation/Recommendation (Para No. 2)

Pursuant to the emphasis laid on the Universal Service Obligation (USO) for achievement of universal service objectives like increase in rural tele-density, provision of vice and low speed data service in the uncovered villages in the country and telephone on demand in the rural areas, as enunciated in the New Telecom Policy (NTP), 1999, the Universal Service Obligation Fund (USOF) was formed with effect from April, 2002 for raising resources by means of a Universal Service Levy (USL) to cater to the USO activities. The USL *i.e.* five per cent of the Adjusted Gross Revenue (AGR) earned by all the operators under various licences is first credited to the Consolidated Fund of India and subsequently the Central Government credits such proceeds to the Fund in Public Account of India from time to time for being utilized exclusively towards USO activities. As far as the Universal Service Obligation (USO) Fund is concerned, the Committee's examination of the subject has revealed that the amount collected as USL from the service providers during the years 2002-07 was not credited fully to the USO Fund by the Government. The Department has contended that transfer of the entire collection under USL to USO Fund is not a matter of course, instead, credits to the Fund shall be of the amount as received through Parliamentary approvals. The Committee is, however, not convinced with the reasoning because as is known credits to the Fund are made after due appropriation made by Parliament. The Committee are of the view that Government should not have any problem in crediting the full amount collected as Universal Service Levy in the USO fund, more so when proceeds to the fund are meant to be utilized exclusively for meeting the Universal Service Obligation. The Committee further desire that the proceeds to the USO Fund should not be diverted under any circumstances, even temporarily, for purposes other than those for which funds are collected.

[Para 2, Part II of the fourteenth report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Audit Remarks

DG P&T Audit, has returned the ATN to the above para stating that "Ministry may continue to make efforts to get the full amount collected as Universal Service levy credited to the USO Fund".

Action Taken by the Government

As per provisions of Indian Telegraph (Amendment) Act, 2003, "the sum of money received towards the USO under section 4 shall first be credited to the Consolidated

Fund of India, and the Central Government may, if Parliament by appropriation made by law in this behalf so provides, credit such proceeds to the fund from time to time for being utilized exclusively for meeting the Universal Service Obligation". Hence the entire collection on account of Universal Service Levy gets credited to Consolidated Fund of India and made available to the USO Fund through Parliamentary approvals.

As recommended by the PAC and also observed by the Standing Committee on Demand for Grants for 2009-10 in their Twelfth Report on Action Taken by the Government on the Recommendation/Observation of the Committee contained in their Fourth Report (15th Lok Sabha), the Department had taken up the matter with Ministry of Finance regarding allocation of transfer to USOF. It has been stated by the Ministry of Finance *vide* their letter No. F.No. 2(35)-B(AC)/2009 dated 22.03.2010, that while considering the proposal of Department of Telecommunications (DoT) for the constitution of USOF initially, Cabinet had directed the DoT to consult Ministry of Finance at the time of finalizing the amount to be transferred to USOF and thus the Ministry has the authority to decide the quantum of funds to be transferred to USOF. Ministry of Finance's observations in this regard are reproduced below:—

“It may also be mentioned that the license fee from telecom service providers is an important component of Non-tax Revenue of the Union Government. The amount towards transfer to USOF, is provided on the basis of claim pending with the Department of Telecommunications for releases from USOF. As the Government is committed to finance various flagship programmes of the Government, the resources cannot be locked by simply lodging them in the Public Account of India. However the concerns of the Standing Committee are noted for necessary action during the RE 2010-11.”

[Ministry of Communications & IT, Department of Telecommunications F. No. 30-3/2010-USOF (PAC), dated 12.10.2010]

Para 2 of Part II of the Fourteenth report of the PAC (15th Lok Sabha) has been vetted with remarks. “No comments” *vide* DGA P&T U.O. No. Rep. Civil/2(d) of 8261/263, dated 20/10/10.

Comments of the Committee

Please *see* paragraph Nos. 7 & 8 of Chapter I.

OFFICE OF THE DIRECTOR GENERAL OF AUDIT, P&T DELHI-110054

Ministry may refer to their communication no. 27-9A/2008-AC dated 15.10.2010 forwarding therewith Action Taken Note on Recommendations/Observations on para Nos. 2 and 8 of 14th Report of 15th Lok Sabha on Administration of USO Fund. The para Nos. 2 and 8 of 14th Report of 15 Lok Sabha on Administration of USO Fund are returned with the following remarks.

Para 2 and 8 of Part II of the fourteenth report of the Public Accounts Committee (Fifteenth Lok Sabha) is returned with the remarks "No Comments".

This issues with the approval of the Director General of Audit, P&T.

Sd/-

Deputy Director (Report)

Ambika Prasad ADG(AC), Department of Telecommunications, Sanchar Bhawan, New Delhi, DGAP&TU.O. No. Rep.-Civil/2(d) 8621/263, dated 20th October, 2010.

Observation/Recommendation (Para No. 10)

The Committee note that as per the license agreement signed by the USPs with DoT as well as agreements signed between the USPs and the USO Fund Administration, it is the responsibility of the service providers for arranging the Point of Interconnections (PoIs) with the incumbent as well as other operators. But, Rural Community Phones (RCPs) and Rural Direct Exchange Lines (RDELs) have been provided by Reliance Communication Ltd. and Tata Teleservices Ltd. in Rajasthan, Uttar Pradesh (West) and Uttar Pradesh (East) Telecom circles without ensuring interconnectivity with the other operator *i.e.* BSNL. Although the provision of RCPs and RDELs in the abovementioned telecom circles has not served the purpose, yet subsidy to the tune of Rs. 84.50 crore has been paid to the service providers for these connections. The Department have contended that while creating the network for provision of RCPs/RDELs, the two USPs requested BSNL for PoIs and in the meanwhile, they kept on providing RCPs/RDELs under various schemes with limited connectivity with the network of other operators. The Department have further submitted that telecom access has, however, been made available to the rural customers in one form or the other. The Committee are not satisfied with the contention of the Department as every scheme meant for expansion of rural telephony has its own significance and each one of them gets subsidy from the USO Fund. So, to say that telecom access has been provided in rural areas in one form or the other even if the provision of RCPs and RDELs did not serve the purpose is to undermine the avowed objectives. The Committee, therefore, recommend that the Department, instead of depicting a callous attitude, should impress upon BSNL and other USPs to speed up provision of interconnectivity while creating network for various schemes towards expansion of rural telephony to ensure that the purpose is well served. Violations of the license agreement by those

concerned need to be accounted for in terms of corrective, remedial and penal action against defaulters.

[Para 10, Part II of the Fourteenth Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Audit Remarks

DG P&T Audit, has returned the ATN to the above Para stating that “Department should impress upon BSNL and other USPs to speed up provision of interconnectivity while creating network for various schemes towards expansion of rural telephony to ensure that the purpose is well served. It is further suggested that violation of the license agreement by those concerned need to be accounted for in terms of corrective, remedial and penal action against the defaulters”.

Action Taken by the Government

USO Fund has been taking up the matter of providing Points of Interconnection (PoIs) with USPs from time to time. BSNL has also been requested to provide PoIs to M/s. TTL, M/s. TTL (Maharashtra) and M/s. Reliance for the required SDCAs as per the Interconnection Agreement signed with them at the earliest.

In compliance with the recommendations of the PAC, instructions have been issued to M/s. Reliance and M/s. TTL and M/s. TTL (Maharashtra) to expedite interconnection and resolve PoI issues. M/s. Reliance has reported to have already resolved all its PoI issues with regard to USOF RDELs. M/s. TTL and M/s. TTL (Maharashtra) have also reported to have resolved PoI issues with regard to USOF RDELs in most of the SDCAs. Hence the matter is being pursued and the issue has been resolved in most of SDCAs. Further the RDEL Scheme stands closed on 31.03.2010.

[Ministry of Communications & IT, Department of Telecommunications F. No.
30-3/2010-USOF (PAC) dated 12.11.2010]

The Para has been vetted by P&T Audit *vide* their letter No. U.O. No. Rep.-civil/2(d) 8621/283, dt. 29-11-10 with the remarks “No comments”.

Comments of the Committee

Please *see* Paragraph No. 17 of Chapter I.

OFFICE OF THE DIRECTOR GENERAL OF AUDIT, P&T, DELHI - 110054

Ministry may refer to their communication No. 27-9A/2008-AC dated 12.11.2010 forwarding therewith Action Taken Note on Recommendations/Observations on Para No. 10, Part-II of the Fourteenth Report of the Public Accounts Committee (Fifteenth Lok Sabha) on Administration of USO Fund. The Para No. 10, Part-II of the Fourteenth Report of the Public Accounts Committee (Fifteenth Lok Sabha) on Administration of USO Fund is returned with the following remarks.

Para 10 of Part-II of the Fourteenth Report of the Public Accounts Committee (Fifteenth Lok Sabha) is returned with the remarks "No Comments".

This issues with the approval of the Director General of Audit, P&T.

Sd/-

Deputy Director (Report)

Ambika Prasad ADG (AC), Department of Telecommunications, Sanchar Bhawan,
New Delhi, DGA P&T U.O. No. Rep.-Civil/2(d) 8621/283 Dated 29th November, 2010.

CHAPTER V
OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH
GOVERNMENT HAVE FURNISHED INTERIM REPLIES

-NIL-

NEW DELHI;
23 December, 2011
2 Pausa, 1933 (Saka)

DR. MURLI MANOHAR JOSHI
Chairman,
Public Accounts Committee.

APPENDIX I

MINUTES OF THE SIXTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2011-12) HELD ON 23rd SEPTEMBER 2011

The Public Accounts Committee sat on Friday, the 23rd September, 2011 from 1130 hrs. to 1330 hrs. in Room No. '53' Parliament House, New Delhi.

PRESENT

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Shri Anant Kumar Hegde
4. Shri Bhartruhari Mahtab
5. Shri Shripad Yesso Naik
6. Shri Sanjay Nirupam
7. Shri Jagdambika Pal
8. Shri Adhi Sankar
9. Kunwar Rewati Raman Singh
10. Shri K. Sudhakaran
11. Dr. Girija Vyas

Rajya Sabha

12. Shri Tariq Anwar
13. Shri Prasanta Chatterjee
14. Shri Naresh Gujral
15. Shri Prakash Javadekar
16. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri Abhijit Kumar — *Director*
3. Shri M.K. Madhusudhan — *Additional Director*
4. Shri Sanjeev Sharma — *Deputy Secretary*
5. Shri D.R. Mohanty — *Deputy Secretary*
6. Smt. A. Jyothirmayi — *Deputy Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

1. Shri K.P. Sasidharan — Director General (AB)
2. Ms. Subha Kumar — Director General (Report Central)
3. Shri A.M. Bajaj — Principal Director (ESM)
4. Shri C.M. Sane — Principal Director (AFN)
5. Ms. Divya Malhotra — Principal Director (Railway Audit Board)

2. * * * * *
3. * * * * *

4. The Committee, thereafter, took up the following Draft Reports, one by one, for consideration and adoption:—

- (i) * * * * *
- (ii) * * * * *
- (iii) * * * * *
- (iv) * * * * *
- (v) * * * * *
- (vi) * * * * *

(vii) Draft Report on Action taken by the Government on the Observations/ Recommendations of the Committee contained in their Fourteenth Report (Fifteenth Lok Sabha) on ‘**Administration of Universal Service Obligation Fund (USOF)**’; and

- (viii) * * * * *
5. * * * * *

6. As regard the consideration of the Draft Report mentioned at Sl. No. (vii) some Members suggested that the matter of diversion of USO Fund for other activities needed further examination and the representatives of the Ministry of Finance should be called to explain the position to the Committee. Some other Members were of the view that since it was an Action Taken Note on an original Report of the previous Committee and in view of the reply furnished by the Department of Telecommunications, the Committee should adopt and present the Report asking the DoT to furnish their reply to the recommendation of the Committee within a shorter period and the same could be analysed then. One Member sought more time to study the Draft Report. The Chairman observed that he himself would first like to go through all the relevant documents to see whether there was a need to take further evidence in the matter. The adoption of the Draft Report was, therefore, deferred.

7. The Committee authorized the Chairman to finalise the adopted Draft Reports in light of the factual verifications, if any, made by the Audit and present them to the House on a date convenient to him.

The Committee then adjourned.

*Matters not related with this Report.

APPENDIX II

MINUTES OF THE TWELFTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2011-12) HELD ON 21st DECEMBER 2011

The Committee sat on Wednesday, the 21st December, 2011 from 1500 hrs. to 1545 hrs. in Chairman's Room (No. 51), Parliament House, New Delhi.

PRESENT

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Shri Sandeep Dikshit
4. Shri Anant Kumar Hegde
5. Shri Bhartruhari Mahtab
6. Shri Shripad Yesso Naik
7. Shri Sanjay Nirupam
8. Dr. Kavuru Sambasiva Rao
9. Dr. M. Thambidurai
10. Dr. Girija Vyas

Rajya Sabha

11. Shri Tariq Anwar
12. Shri Prasanta Chatterjee
13. Shri Prakash Javadekar
14. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri Abhijit Kumar — *Director*
3. Shri H.R. Kamboj — *Additional Director*

4. Smt. A. Jyothirmayi — *Deputy Secretary*

5. Ms. Miranda Ingudam — *Under Secretary*

**Representatives of the Office of the Comptroller and
Auditor General of India**

1. Shri Gautam Guha — Director General (Defence Services)
2. Ms. Divya Malhotra — Principal Director (Railway Audit Board)
3. Shri V. Patwardhan — Director (Defence)

2. At the outset, the Chairman welcomed the Members and the representatives of the Office of the C&AG to the sitting of the Committee convened to consider and adopt the following Draft Reports.

3. The Committee, thereafter, took up for consideration the following Draft Reports, one by one and adopted the same without any modifications:—

(i) * * * * *

(ii) * * * * *

(iii) Revised Draft Report on Action Taken on 14th Report (15th Lok Sabha) of PAC on '**Administration of Universal Service Obligation (USO) Fund**' (Ministry of Communications & Information Technology);

(iv) * * * * *

(v) * * * * *

4. Thereafter, the Committee authorized the Chairman to finalise these Reports in the light of factual verification done by the Audit and present the same to both the Houses of Parliament.

The Committee then adjourned.

*Matters not related with this Report.

APPENDIX III

(Vide para 5 of Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE
OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS
COMMITTEE CONTAINED IN THEIR FOURTEENTH REPORT
(FIFTEENTH LOK SABHA)

(i) Total No. of Observations/Recommendations	—	14
(ii) Observations/Recommendations of the Committee which have been accepted by the Government:	—	Total : 11 Percentage—78.57
Para Nos. 1, 3-9, 11, 12 and 14		
(iii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:	—	Total : 1 Percentage—7.14
Para No. 13		
(iv) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration:	—	Total : 2 Percentage—14.29
Para Nos. 2 and 10		
(v) Observations/Recommendations in respect of which Government have furnished interim replies:	—	Total : 0 Percentage—0
-NIL-		

PARLIAMENTARY PUBLICATIONS CAN ALSO BE OBTAINED FROM THE FOLLOWING AUTHORISED AGENTS:—

Sl.No.	Name of Agent	Sl.No.	Name of Agent
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	BIHAR	15.	M/s. D.K. Agencies (P) Ltd. A/15-17, Mohan Garden, Najafgarh Road, New Delhi-110059.
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3.	M/s. Jain Book Agency, C-9, Prem House, Connaught Place, P.B. No. 1113, New Delhi-110001.	17.	M/s. Suvidha Law House, 28 Malviya Nagar, Roshanpura, Bhopal-462003.
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5.	M/s. Rajendra Book Agency, IV-D-50, Lajpat Nagar, Old Double Storey, New Delhi-110024. (T. Nos. 26412362 & 26412131)	18.	M/s. Usha Book Depot, 585/A, Chitra Bazar, Khan House, P.B. No. 2621, Mumbai-400002.
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7.	The Manager, M/s. Books India Corporation, Publishers, Importers & Exporters, L-27, Shastri Nagar, Delhi-110052.		PUDUCHERRY
8.	M/s. Sangam Book Depot, LG-3, Akarshan Bhawan, 23, Ansari Road, Darya Ganj, New Delhi-110002.	20.	Editor of Debates, Legislative Assembly Department, Puducherry-605001.
9.	M/s. Biblia Impex Pvt. Ltd., 2/18, Ansari Road, New Delhi-110002. (T.No. 23262515)		TAMILNADU
10.	M/s. Universal Book Traders, 80, Gokhale Market, Opp. New Courts, Delhi-110054. (T. No. 23911966)	21.	M/s. M.M. Subscription Agencies, 123, Third Street, Tatabad, Coimbatore-641012.
11.	M/s. Seth & Co. Room No. 31 D, Block-B, Delhi High Court, Sher Shah Road, New Delhi-110003.	22.	M/s. C. Sitaraman & Co., 73/37, Royappettah High Road, Chennai-600014.
12.	M/s. Dhanwantra Medical & Law House, 592, Lajpat Rai Market, Delhi-110006. (T. No. 23866768)		UTTAR PRADESH
		23.	M/s. Law Publishers, Sardar Patel Marg, P.B. No. 1077, Allahabad (U.P).
		24.	M/s. Ram Advani Bookseller, Mayfair Building Hazrat Ganj, GPO Box No. 154, Lucknow-226001.