NINETEENTH REPORT

STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2001)

(THIRTEENTH LOK SABHA)

MINISTRY OF COMMUNICATIONS (DEPARTMENT OF TELECOMMUNICATIONS)

[Action Taken by Government on the Recommendations/Observations of the Committee contained in its Tenth Report (Thirteenth Lok Sabha) on Demands for Grants (2000-2001]

Presented to Lok Sabha on 21.3.2001

Laid in Rajya Sabha on ....

LOK SABHA SECRETARIAT
NEW DELHI

March, 2001/Phalguna, 1922 (Saka)

CORRIGENDA TO THE NINETEENTH REPORT OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2001)

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1. Shri P. D. T. Achary — *Joint Secretary*
2. Shri S. K. Sharma — *Deputy Secretary*
3. Shri A. S. Chera — *Under Secretary*

INTRODUCTION

I, the Chairman, Standing Committee on Information Technology (2001) having been authorized by the Committee to submit the Report on its behalf, present this Nineteenth Report on Action Taken by Government on the Recommendations/Observations of the Committee contained in its Tenth Report (Thirteenth Lok Sabha) on Demands for Grants (2000-2001) relating to the Ministry of Communications (Department of Telecommunications).

2. The Tenth Report was presented to Lok Sabha on April 17, 2000 and was also laid in Rajya Sabha on the same day. The Government furnished Action Taken Notes on the recommendations contained in the Report on July 31, 2000.

3. The Report was considered and adopted by the Committee at its sitting held on March 15, 2001.

4. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

5. An analysis of Action Taken by Government on the recommendations contained in the Tenth Report of the Standing Committee on Information Technology (Thirteenth Lok Sabha) is given at Appendix II.

NEW DELHI;
16 *March*, 2001
25 *Phalguna*, 1922 *(Saka)*

SOMNATH CHATTERJEE,
Chairman,
Standing Committee on
Information Technology.

CHAPTER I

REPORT

This Report of the Standing Committee on Information Technology (erstwhile Standing Committee on Communications) deals with the action taken by the Government on the Observations/Recommendations of the Committee contained in its Tenth Report (Thirteenth Lok Sabha) on Demands for Grants (2000-2001) relating to the Ministry of Communications (Department of Telecommunications and Department of Telecom Services).

2. The Tenth Report was presented to Lok Sabha on 17 April, 2000 and was also laid on the Table of Rajya Sabha the same day. It contained 63 Observations/Recommendations.

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

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

Paragraph Nos: 45, 64, 74, 75, 88, 90, 91, 93, 111, 112, 113, 114, 121, 122, 123, 128, 138, 139, 140, 149, 150, 151, 159, 160, 168, 182, 183, 194, 195, 209 and 221.

Total: 31

Chapter: II

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

Paragraph Nos: 33, 34, 65, 66, 68, 76, 89, 110, 152, 174, 210, 211, 212, 220 and 238.

Total: 15

Chapter: III

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

Paragraph Nos: 13, 14, 15, 31, 35, 51, 67, 92, 219, 234, 235, 236, 237, 239 and 240

Total: 15
Chapter: IV

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

Paragraph Nos: 32 an 175

Total: 02
Chapter: V

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

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

Village Public Telephones

(Para No. 13)

6. The Committee in its Tenth Report had observed that Department of Telecommunications had taken certain measures like changeover from Licence Fee Regime to Revenue Sharing, the optimal utilization of spectrum etc., to cover all the villages with public telephones by 2002. The Committee had pointed out that even with these measures the Department was not able to get the involvement of private sector as there had been absolutely no progress in the fulfillment of their initial obligations of providing 20 lakh telephone connections and 98,000 VPTs within three years of their operations. The Committee had, therefore, urged the Department to undertake an indepth study to mobilize and intensify its preparedness to meet the likely failure of private sector to fulfill the targets. The Department of Telecommunications was also advised to take steps to compel the private operators to meet the objectives enunciated in the NTP, 1999.

7. The Department of Telecommunications in its Action Taken Notes has stated that the result of privatisation of Telecom Services has so far not been satisfactory allegedly due to the fact that actual revenue realized by the private operators has been far short of their projections. As a result, some of the important objectives of NTP has remained unachieved as was apprehended. The Fixed Licence Fee regime has been replaced by Revenue Sharing as has been incorporated in NTP, 1999. It has further been stated that resources to meet Universal Service Obligations (USO) would be raised through Universal Access Levy for which reference has been made to TRAI on 19 May, 1999 seeking their recommendations on the functioning of USO through Universal Access Levy. TRAI had sought further information and the same was supplied in March, 2000. The TRAI has again asked for more data on VPT, relating to technology, average cost, revenue per exchange like DEL for tribal and non-tribal areas and the information was reportedly being collected.

8. **The Committee is unable to accept the explanation of the DoT. The fact remains that private sector has not initiated any worthwhile plan nor has the Government been able to compel them to provide village public telephones as committed by them to the Government three years ago and also impressed upon them by the Hon'ble Minister of Communication on June 3, 2000. In spite of all these efforts their attitude is lukewarm towards providing telephones in rural areas. The TRAI is also engaged in this exercise for about two years, but nothing concrete has emerged so far. The Committee would like to impress upon the DoT that they should workout an alternative plan to cover all the villages with telephones as early as possible to meet the revised targets of 2002 as the private sector cannot be depended upon particularly in view of the fact that the villages left now are remote and inaccessible. The penalty provisions of Universal Service Obligation may also be invoked on private operators who do not honour their commitment. The Committee is still in dark how the Government proposes to reach the revised targets of providing telephone in each village by 2002.**

Non-Performance of Private Service Providers

(Para Nos. 14 and 15)

9. In its Tenth Report the Committee had observed that the Department of Telecommunications (DoT) was lackadaisical in enforcing the obligations of the Private operators and perceived to be too accommodative inspite of several concessions and facilities provided to them. The Committee had not been informed of any study having been made by the Department justifying its decision to permit the Private operators to migrate to revenue sharing arrangements. As the implications of the migration package were to properly considered, the position with regard to telephone coverage remained as before in spite of special considerations provided to the Private operators. The Department was trying to fix up the respective obligations of the different Private Service Providers. The Committee was, therefore, of the view that a proper enquiry was warranted to ascertain whether national interest had, in fact, been protected. The Committee had also recommended that the Department should hold the Private operators accountable and see that they fulfill their commitments.

10. The Department in its Action Taken Notes has stated the migration to the new license regime of Revenue Sharing as a package has been accepted by the Licensees of Cellular Mobile and Fixed Service Providers. The date January 31, 2000 was fixed as a milestone for the payment of all outstanding amounts. Subsequently, this date was extended upto March 15, 2000 and eventually upto April 15, 2000 for one particular service provider *i.e.* M/s. Spice Communications Limited (erstwhile M/s. Modicom) with imposition of additional penalties. In the meanwhile, the migration policy was challenged through a Public Interest Litigation (PIL) in the Delhi High Court and the matter is still *sub-judice*.

11. The Committee is not satisfied with the reply of the Department, as it is still in dark about the merits/considerations which persuaded the Department to agree to the change over from fixed license fee regime to revenue sharing package especially when no study in this regard was made by the Department to study its implications. Noticeably, even now there is hardly any convincing evidence about enforcement of the obligations of the Private operators despite being provided with several concessions and facilities. The Committee finds little justification in allowing the Private operators

to migrate to revenue sharing arrangements and granted concessions and alterations of terms and conditions in their favour while the national interest of wider telephone coverage, as contemplated by NTP-1994 or NTP-1999, still remain unfulfilled. It is, therefore, high time the Department exercised its authority as the licensor to force the Private Service Providers to meet the terms and conditions of the licence, more so in the wake of the special facility of 'limited mobility' granted to the FSPs.

Loss of Revenue due to Migration Package

(Para Nos. 31 and 35)

12. In its earlier Report, the Committee noted that the change over from fixed license fee to revenue sharing was effected as the Private Operators were not implementing their projects on the ground that they were not viable under the license fee system. This switch over from licence fee to revenue sharing has cost the exchequer more than Rs. 2,000 crore and unduly favoured the Private Operators as under the new regime they would not have any fixed liability towards license fee and the payment would be made to the Department depending upon the revenue earning of the Private Operators. Further, there will not be any compulsion for them to expand their services expeditiously. The Committee was surprised to note that the Department had collected Rs. 200 crore in advance from the Private Operators with regard to their anticipated gross revenue for the first eight months *i.e.* from August 1, 1999 to March 31, 2000. The Committee had cautioned the Department not to allow the Private Operators on the drivers' seat lest there would be further loss of legitimate Government dues in the long run.

13. The Department in its Action Taken Notes has stated that the basic need of any business enterprise is to earn a certain minimum profit and under the NTP-1999 there is sufficient motivation to expand and provide better quality of cost effective service to the customers in order to earn profit in the ensuing highly competitive environment. The Department has further stated that nobody will be allowed to hold a licence without actually commencing the service and suitable provisions shall be made in the new licences by way of severe penalty etc., for delayed start of obligatory services giving due considerations to TRAI' recommendations in this regard.

14. It has also been clarified that after the migration package, cellular service has been commission in respect of all the 38 existing Cellular licenses (except one in North East Circle by M/S Hexacom India Limited). Basic Service has also been commenced by 4 licensees and 180 days notice for termination of licences under the licence agreement for not commissioning the service has been issued to those who failed to honour their commitments. As regards collections of Rs. 200/- crore in advance from the Private Operators, the Department has stated that the operators have paid the revenue share on the basis of their own estimates in advance on quarterly basis.

15. The Committee is not convinced by the reply of the Department. Although the basic need of any business enterprise is to earn a certain amount of minimum profit, yet its social obligations under the parameters of law cannot be compromised. But, here the Department went on keeping the Private Operators happy by way of several concessions and facilities despite their continuos failure over the years in fulfilling the obligations. The most shocking aspect is that even after being bestowed with so many concessions, the Private Operators are virtually non-starters as yet. Therefore, Department's consideration of the profitability factor of the Private Operators at the cost of wider telephone coverage is certainly not acceptable of the Committee, especially when the end result is so disappointing. Similarly, it is surprising that the Private Operators can part with Rs. Two Thousand crore just in anticipation of their gross revenue and on the basis of their own estimates for the first eight months, without actually setting up any system network. The Committee is unable to comprehend the rationale behind such an estimate by the Private Operators themselves and more importantly its acceptance by the Department. Instead of relying upon the estimates of the Private Operators who are having a dismal track record, it would have been in the national interest if the Department had made its own calculation. The Committee would further like to know in detail about the provisions contemplated in the new licence agreements to inflict severe penalties upon those Private Operators who delayed commencement of their obligatory services.

Bifurcation of TRAI

(Para No. 51)

16. The Committee, in its Tenth Report, had observed that the TRAI Act, 1997 was amended through an Ordinance promulgated on 24 January, 2000. As per the new provision, TRAI was bifurcated and its quasi judicial functions was vested in the Telecom Dispute Settlement and Appellate Tribunal (TDSAT). But the pace at which it was carried out defied logic in the light of the fact that TDSAT had not been constituted till the Tenth Report was presented to the Parliament and the Part-time Members of the newly constituted TRAI had not joined till then. The Committee was of the opinion that taking recourse to the Ordinance in this case had not been justified by the Subsequent events and in the circumstances the Committee did not get any opportunity to give its views on the TRAI Amendment Bill, 2000 before the Act was passed.

17. In its Action Taken Notes the Department has stated that the amendments through the Ordinance were brought about to remove certain difficulties that had arisen. The Department has further stated that though there were some procedural delays in reconstituting TRAI as per the amended provisions, TRAI has been fully functional since March, 2000. While the selection of Members of the TDSAT is expected to be finalized shortly, the appointment of the Chairperson of TDSAT has been notified on 29 May, 2000.

18. As the newly constituted TRAI could not start functioning till March, 2000 and the TDSAT was not constituted till May, 2000, Committee's reservation about the unjust hurry in promulgating the Ordinance on January 24, 2000 when Parliament was to meet shortly for the Budget Session, has been fully justified. In the course of examination of the subject "Functioning of Telecom Regulatory Authority of India" subsequently on which Thirteenth Report of this Committee was presented to Lok Sabha 22 November, 2000, the Committee observed that the newly constituted TRAI actually started functioning on 30 April, 2000 and the TDSAT was not constituted till the end of August, 2000 *i.e.* even after seven months of the promulgation of the ordinance. Thus, it is amply clear, that the inordinate delay in reconstituting TRAI and establishing TDSAT, has defeated the stated purpose *i.e.* removal of some alleged difficulties and confusion. No attempt even has been made to give an acceptable explain for promulgating the ordinance in inordinate hurry.

Financial Assistance to ITI Ltd.

(Para No. 67)

19. In its Tenth Report the Committee observed that ITI had pleaded for writing off the loan of Rs. 13.5 crore which had become Rs. 21 crore with interest as on 31 March, 1999. As the Ministry of Finance had turned down the proposal of the company, the Committee recommended the Department to take up the case with urgency so that at least a moratorium could be declared to prevent accruing of further interest on the principal amount.

20. The Department in its Action Taken Notes has stated that since ITI has turned around and is making profit year after year, it should be possible for the company to repay the loan as the Government has declined to write off the outstanding loan.

21. The Committee notes that Government has declined to write off the outstanding loan of Rs. 13.5 crores on the plea that ITI Ltd. has turned around and making profit. Therefore, in its efforts for survival and sustenance, the Company needs the continuing support of the Department. Therefore, the Committee is of the view that declaring a moratorium on the loan of Rs. 13.5 crore will help the company to the extent that further interest will not accrue on the principal amount. Under the circumstances, the Committee reiterates that at least a moratorium should be declared so that accruing of further interest on the principal amount is prevented.

DID PABX Network

(Para No. 212)

22. The Committee in its earlier report has taken a serious note of the instances of misuse of special facilities like the DID PABX Network which are meant for limited use in high-rise buildings. The Committee had desired the Department of Telecommunications to make an inquiry into the instances and curb misuse of this facility.

23. The DoT in its Action Taken note has stated that MTNL has already initiated an inquiry under the General Manager (Vigilance), Delhi Telephones into alleged misuse of PBAX facilities by M/s NIAMNI and the final report is expected within a short-time and further action would be taken. It has further been stated that the alleged misuse is mainly with regard to extending the EPABX lines beyond the permitted 500 meters range and uses of telephone cards. Final report is said to be expected within a short time. It is further stated that MTNL has already taken a decision to provide EPABX for its customers as was being done before.

24. The Committee is distressed that in spite of its recommendation, it has not been informed of the misuse of EPABX facilities and of the action taken against those who may have connived in the misuse. Since the enquiry report would have come by this time, it would like to be informed of all the findings of the inquiry conducted by the General Manager (Vigilance), Delhi Telephones into alleged misuse of PABX facilities and the action taken to curb misuse of this facility, within a reasonable time and not later than three months from the date of the presentation of this Report.

Permission to Private International Service Providers (ISPs) to set up Telecom Gateway

(Para No. 219)

25. The Committee, in its earlier Report, had noted that VSNL's estimated loss of revenue during the year 2001-2002 would be around Rs. 70 crore with regard to Internet Leased Lines and Rs. 246.5 crore on Private Leased Lines due to permission to 8 Private Operators to set up telecom gateway in India. The Committee expressed its apprehension that if these gateways were used for data traffic only, the Projects might not prove financially viable and there was every possibility of these gateways being used for carrying voice traffic at the cost of VSNL. The Committee recommended that in case Private ISPs were allowed to set up their own gateways, interest of VSNL should be properly safeguarded against illegal overstepping into its domain of voice traffic by incorporating suitable provisions in the licensing conditions.

26. The Department has stated that the Government does not get involved with the viability of Private sector projects. It has further been stated that telephony on internet is not permitted as per the terms and conditions of the ISP licence. The licence will be liable for termination for any violation of this clause.

27. The Committee is not impressed by the reply of the Department that it does not get involved with the viability of Private projects. However, it has been mentioned elsewhere that the basic need of any business enterprise is to earn a certain minimum profit. The marked contradictions in both the statements are to be reconciled. It is not convincing to say that the Government does not get itself involved in the viability or otherwise of the private sector projects.

Only a few years back private fixed service providers had quoted astronomically high bids for licence fee in various circles without doing indepth analysis of the likely revenue/income generation and later on started demanding various types of concession which ultimately resulted in switchover to revenue sharing regime from licence fee and the country suffered a lot in the interregnum. Therefore, unlivable projects of the private telecom sector would be disastrous not only to the party concerned but to the country also as they would be tempted to carry illegal voice traffic or remain a non-starters. If they violate the terms and conditions of the ISP licence, it will be liable for termination and if they remain non-starter, economy as a whole would suffer in the shape of non-availability of projected service to the people. Therefore, the Committee is of the definite opinion that while venturing into any important and sensitive project, as the above one, all the related aspects need to be examined meticulously so that the purpose is well served.

IRIDIUM Gateway at Pune

(Para No. 220)

28. The Committee in its Tenth Report had expressed concern at the bankruptcy of Iridium which would adversely affect investment made by Videsh Sanchar Nigam Limited (VSNL) to the extent of Rs. 50 crores in setting up a gateway at Pune for its services in India. The Committee had desired that the infrastructure created be put to alternate use at an early date.

29. The Department of Telecommunications in its Action Taken Note has stated that Videsh Sanchar Nigam Limited has already constituted an internal Committee of Experts to assess the alternative uses of various types of equipment installed at the Iridium Gateway at Pune and based upon the findings of the Committee further necessary action would be initiated.

30. The Committee trusts that the Expert Committee set up by Videsh Sanchar Nigam Limited would have submitted their report on the possibilities of alternative use of various types of equipments installed at the Iridium Gateway at Pune. The Committee would like to be apprised of the findings of the Expert Committee and the Action Taken by the Videsh Sanchar Nigam Limited to use the infrastructure to the optimum extent.

Sankhya Vahini

(Para Nos. 92, 234, 235, 236, 237, 239 and 240)

31. The Committee in its Tenth Report had observed that the then Department of Telecom Services (DTS) had decided to enter into a Joint Venture Project with IU Net—a fully owned subsidiary of the Carnegie Mellon University (CMU), Pittsberg, USA to set up "Sankhya Vahini" without undertaking any study about the technology available with the Company and its competitors. Merely on the recommendations of the Task Force on Information Technology, the Project having an investment of about Rs. 1300 crore had been taken up and surprisingly a budgetary provision of Rs. 94.26 crore had been earmarked for the year 2000-2001 just in anticipation. The Committee was not aware of the expertise that the Task Force had in selecting one of the many similar technologies and picking up a particular company without evaluating the merits of other similar technologies and also other similar partners. Another striking feature that came to the notice of the Committee was that IU Net would not be investing any amount in cash. Its contribution towards equity capital will come in the shape of sale price of its products to be purchased by the proposed Joint Venture. Thus, without any cost investment, IU Net will become a major shareholder owning 49 percent equity. Moreover, there were apprehensions from various quarters that the proposed Joint Venture would open floodgates for espionage, interception of scientific data, telephonic conversations, faxes and E-mail etc. Taking all the above factors into account, the Committee recommended that the Department should make an in-depth study to fully review the matter and redress the apprehensions being expressed publicly before giving any concrete shape to the Joint venture.

32. The Department in its Action Taken Notes has stated that the "Sankhya Vahini" Project was conceived in IT Task Force meeting on September 5, 1998 where in the DoT was made a nodal agency to work alongwith IU-Net to establish a high-speed data network in India. The Project was conceived after broad based consultations and discussions of the Task Force with officials, academicians, scientists, technologists and wide cross section of administrators in Government at the level of Secretaries to the Government. Thereafter, normal procedures as prescribed for approval of such projects were followed.

33. The Department has further stated that the choice of technology has been made keeping in view international technology trends and socio-economic needs of India. To prevent the risk of over capitalization without compromising on the provision of high bandwidth conductivity, it has been proposed that Dense Waveless Division Multi-plexing (DWDM) technology would be deployed only over a part of the network (say 50%). The Sankhya Vahini India Limited (SVIL) Board would determine further deployment thereby taking advantage of the trend of falling prices for new technology over a period of time.

34. As regards investment by IU Net, the Department has stated that payment for the subscription of shares by IU Net shall be set off and adjusted against the purchase consideration to be paid by the company to IU Net for sale and transfer of the equipment to be supplied by IU Net. In the event of the subscription amount for the initial shares to be paid by IU Net being more than the price of the equipment to be sold by IU Net to the company, IU Net shall have an option to bring in additional equipment if needed and requested by the company at the time of issuance of shares and adjust the shares subscription amount against the price of the additional equipment, or make payment in cash for the unadjusted subscription amount. Moreover, any adjustment in the form of fibre/equipment after a period of 18 months from the date of incorporation of the Company shall be subject to the approval of the SVIL Board.

35. So far as apprehensions about espionage etc., are concerned, it has been stated that SVIL will implement a data Network and not a voice network. On scrutiny/monitoring issues, the Company will follow the prevailing regulations and terms and conditions as laid down in the ISP licensing agreement and any other orders issued from time to time by the Government of India. The Company shall not use its network for voice telephony unless permitted by the Government. It has also been stated that having duly considered the recommendations of the Standing Committee, the Government has no intention, so far, to review the Project.

36. The Committee cannot but reject the reply of the Departments as none of the most important issues has even been considered. The Committee in its earlier Report had tried to emphasize the fact that while similar technologies were available with other companies, why a comparative study was not undertaken before selecting IU Net. Secondly, as mentioned earlier, IU Net, without actually investing anything in cash, will become major shareholder. Moreover, in the absence of any tendering process, the cost of equipment indicated by the vendor *i.e.* IU Net cannot be termed fair and competitive. Needless to mention, the whole process lacks transparency and therefore the Committee reiterates that the matter in its entirety need to be looked into in depth before the Joint Venture Agreement is finally entered into.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para No. 45)

The Committee notes that due to tariff reduction in long distance telephony the Department's internal resources have come down to Rs. 9000 crore from Rs. 11000 crore during 1999-2000. This trend is likely to continue for the next year also. That the Department has no liability for repayment of bounds during the year 2000-2001 is hardly a matter of consolation in view of the fact that during the repayment year the position will further worsen. The Committee is also concerned to note that the Department is bound to go in for more borrowing to relieve the strain on internal resources arising out of tariff reduction in long distance rates. In this regard Committee's apprehension as expressed in one of its earlier Reports that the increase in rentals and local telephone rates would not compensate the loss due to reduction in long distance rate, has been proved correct. In case there is further reduction in the long distance rates strain on internal resources would be more severe and the Department would be forced to go in for more borrowing from the market. The Committee would therefore, like the Department to explore and review all possible areas where resources can be mobilized to meet its growth plans.

Reply of the Government

The observations of the Committee have been noted. All efforts are being made both to increase the revenue receipt and keep a strict watch on expenditure so as to augment the resources. While the Department is actively pursuing opportunities in New Service areas such as Mobile Telephony and Data Services to enhance its revenues. TRAI has been requested to defer the rebalancing of tariffs further. In addition, the Department anticipates that expenditures on development of rural areas and non-remunerative service will be met to some extent from the Universal Service Fund which the Government proposes to set up.

Recommendation (Para No. 64)

The Committee is happy to note that ITI Ltd. which was on the verge of being referred to BIFR has successfully turned around. The position looks much better for the year 2000-2001 where the anticipated profit will be around Rs. 63 crore. This turn around of the Company has been made possible due to diversification of its products and timely corrective action. The Company has also formed a separate IT Group to do the marketing of certain IT information related products like network management, billing etc. The Committee feels that these are steps in right direction in order to sustain stiff competition from Private Sector and would like the Company to continue diversifying its products timely for its own survival. The Department on its part should also ceaselessly provide a helping hand.

Reply of the Government

DoT agrees that ITI has turned around. ITI has projected a profit of around Rs. 63 crore during 2000-2001. The turn around of the Company has been possible partially due to Company's sustained efforts partially by substantial assistance given by DoT in the form of reservation of orders, reimbursement of liquidated damages, reimbursement of losses suffered by its Srinagar Unit, compensation paid for cancellation of orders and surplus inventory, exemption from EMD and bank guarantee for participating in the tenders and extending guarantee for floating bonds etc. DoT is extending all possible help to the Company.

Recommendation (Para No. 74)

The Committee is pleased to note that HTL which incurred a net loss of Rs. 8.13 crore in 1996-97 has been able to make profit of Rs. 5.66 crore, Rs. 6.83 crore and Rs. 5.84 crore respectively in the next three financial years. The Committee is also happy to note that the Company has entered into new areas like Wireless in Local Loop (WLL), Managed Lease Data Network, DLC and HDSL equipment besides doubling their products in respect of C-DoT Exchanges and switching system. It is also heartening to note that the Company has got in-house R&D facilities which help it in technology absorption and new collaboration activities. These are all positive indications of the imminent turn around of the Company and like ITI, HTL also badly needs the positive and continuing support of the Department in its endeavour.

Reply of the Government

HTL is given help in the form of reservation quota, advances against reservation quota, and exemption from EMD and bank guarantee for participation in the tenders. All possible support is being extended to the Company by DoT.

Recommendation (Para No. 75)

The Committee notes that as per DoT's procurement policy, it purchases from HTL 10 percent switching equipment, 15 percent transmission equipment and 50 percent mechanical product on preference basis. As assured by the Secretary, DoT, the Committee trusts that this procurement policy would continue in the coming years.

Reply of the Government

DoT agrees with the observations of the Committee.

Recommendation (Para No. 88)

The Committee notes that for Telephone Exchanges Automatic (Rural Area), the Budget Estimate (2000-2001) has been reduced to Rs. 1062,76,55,000 from the Revised Estimate Projection of Rs. 1205,21,07,000. The reason for such reduction has been stated to be due to an omission in the calculation while making the budgetary allocation between Rural, Tribal and General Areas. That necessary action to enhance the budgetary provision in rural Area for the above mentioned scheme would be taken up at the RE (2000-2001) stage is hardly a matter of consolation in view of the fact that utmost care is required to be paid while making calculation in such an important document and for such an important scheme. The Committee is of the opinion that this sort of omission, although may be unintended, gives wrong impression.

Reply of the Government

The Committee's anxiety regarding avoiding omissions while making Budgetary Provisions is noted for guidance.

Recommendation (Para No. 90)

In the case of Village Public Telephones (VPTs), the Budget Estimate (2000-2001) has been marginally reduced to Rs. 245,63,21,000 from the 1999-2000 RE projection of Rs. 245,72,00,000. Reasoning of the Department that the BE 2000-2001 is based on the target fixed and cost estimates is unacceptable to the Committee in the light of the fact that for 45,000 VPTs, higher amount was provided in 1999-2000 whereas for 70,000 VPTs there is lesser provision for the year 2000-2001. The reasoning that cost per VPTs has come down and hence the reduction in estimates is not convincing if the target fixed for 1999-2000 is compared with that of 2000-2001. Moreover, if the actual achievement of VPTs in the year 1999-2000 is taken into account the variation in fund allocation seems to be more glaring. The Committee is also unable to appreciate the Department's view that the position would be reviewed at the RE (2000-2001) stage and enhanced, if necessary. It fails to understand while full financial provisions are required to be made *vis-a-vis* physical target laid down for a scheme, why budgetary provision is left, more often than not, to be reviewed at the RE stage and that too for schemes like VPTs where the performance of the Department is far below expectations. The Committee is therefore, inclined to believe that the Department is not serious about implementation of the scheme during the year and that physical targets might not be achieved.

Reply of the Government

Based on the actual expenditure incurred during 1999-2000, for the installation of the revised target of 100,000 VPTs, the amount required is Rs. 459 crores. Hence the BE 2000-2001 provision in respect of VPTs will be stepped up to Rs. 459 crores at RE 2000-2001 stage.

Recommendation (Para No. 91)

The Committee notes with concern that for Telecom Factories the BE (1999-2000) provision was Rs. 12.92 crore which was reduced to Rs. 7 crore in the RE (1999-2000) and the BE (2000-2001) has been fixed at Rs. 9.84 crore. The Department has put forward the reason that for both the years the RE (1999-2000) and BE (2000-2001) provisions were based on the progress of the expenditure in the Plan Schemes of the Factories. The Committee does not consider it a convincing reason for reduced Budgetary allocation for the Telecom Factories. As would be seen in a subsequent Chapter of this Report, the Department has expressed its reservation over the conventional items being produced by these Foactories which require a massive drive for modernization and on the other hand it is trying to justify the reduced allocation to these Factories. Therefore, contradictions have to be reconciled and the Committee recommends that utmost urgent steps should be taken accordingly.

Reply of the Government

There is a proposal to enhance the BE 2000-2001 provision of Rs. 9.84 crores to meet the increase anticipated in factories' development plan. This will be met to the extent feasible at the RE stage.

Recommendation (Para No. 93)

The Committee is anguished to note that during the years 1997-98 and 1998-99, three was a net savings of Rs. 1696,68,000 and Rs. 1203,00,000 respectively. Similarly during 1999-2000 a sum of Rs. 1285,49,000 was surrendered. The Committee views it to be bad budgeting and desires that the Department should be more realistic in projecting its estimates.

Reply of the Government

The savings in 1997-98 and 1998-99 were mainly in the Capital Grant and attributable to reduction in equipment costs and some scaling down of targets.

In 1999-2000 the savings is mainly under the head Appropriation to Reserve Funds. This is due to reduction in revenue and hence surplus consequent on the tariff revision effective from 1st May 1999. However, the Committee's views have been noted.

Recommendation (Para No. 111)

The second reason *i.e.* poor availability of infrastructure facilities like electricity and road communications in rural areas is also unacceptable to the Committee in the sense that these are usual features and the Department was well aware of these constraints while fixing targets. So, there is no strength in this argument. The Committee, therefore, recommends that the Department, instead of taking recourse to excuses, take concrete measures to ensure that achievements do not lag behind the targets.

Reply of the Government

Despite poor availability of infrastructure facilities like electricity and road communications in rural areas, the Department is committed to provide one telephone in each revenue village of the country by March, 2002 and has made extensive plans in this direction and is making all out efforts to achieve the same.

Recommendation (Para No. 112)

The Committee is anguished to note that of the six Private Operators who were issued licenses to provide basic telephone services, only three Operators are reported to have started providing connections in Madhya Pradesh, Maharashtra and Andhra Pradesh. But the saddening part is that out of these three operators only one has provided a meager number of twelve VPTs in Madhya Pradesh and others are non-starters even now. It speaks volumes of their laxity and lack of commitment to supplement DTS' efforts in providing VPTs. That these operators have been asked by the Department to complete the committed VPTs by 30th September, 2000 provides little solace in view of the dismal track record in the last few years. The Committee therefore, urges upon the Department to gear itself up to provide the targeted 70000 VPTs for the year 2000-2001 without relying upon the Private Operators who have lagged behind.

Reply of the Government

Five out of the six private licensees have started providing service *viz.*, M/s BTNL in Madhya Pradesh, M/s HIL in Maharashtra, M/s Tata Teleservices in Andhra Pradesh, M/s Reliance Telecom in Gujarat and M/s Shyam Telelink in Rajasthan.

In a meeting taken on 03.06.2000 by Hon'ble MoC with private licensees, they have been asked to fulfil their VPT obligations by utilizing the network resources of other operators, if necessary.

However, DTS during this year has enhanced VPTs Target from 70000 to 100000. The Department has also proposed to ensure to cover all villages by 2002, if necessary, by DTS installing VPTs in the private sector share at the risk and cost of Private Franchisees. In fact, all the villages of Tamilnadu, Kerala, Haryana and Andaman & Nicobar will be covered with VPTs by August 15, 2000.

Recommendation (Para No. 113)

It is also intriguing to observe that instead of closely watching the technology employed for providing VPTs by Private Operators the Department is not aware of it and yet exuding more confidence in their technology for no apparent reason. The Committee therefore, recommends that without being so optimistic about the technology of the Private Operators, the Department with the expertise at their disposal, should suggest the Private Operators something concrete in this regard.

Reply of the Government

The Department has already stipulated the network standards and requirements as regards the technology to be used for rural telephone systems in the Licence Agreement.

Recommendation (Para No. 114)

The Committee is concerned to note that at any point of time about 30 per cent VPTs do not function properly, as stated by the Secretary in evidence. In the light of this fact, the effective achievement as on February 29, 20 comes somewhere near 2,58,000 VPTs *i.e.* 70 per cent of 3,58,538. Therefore, it is prudent to pay special attention towards the maintenance and monitoring aspect of the VPTs already installed so that the valuable assets are made use of by the people to achieve higher rate of growth.

Reply of the Government

Special attention is being paid towards Maintenance of VPTs and special steps are being taken to monitor their performance. In view of the Committee concern, instructions issued in this regard from time to time have again been reiterated. A copy of the same is enclosed (Annexure A).

The Department has committed itself to replace irreparable faulty VPTs in a phased manner by end 2002.

ANNEXURE
(Para 114)

Govt. of India
Ministry of Communications
Department of Telecom Operations
20, Ashoka Road, Sanchar Bhawan
New Delhi-110001

F. No. 12-13/99-ML Dated, the Friday, July 28, 2000

To

All Heads of Telecom Circles.
CGM Telephone Distts. Chennai/Calcutta.
CGM MTNL New Delhi/Mumbai.

Subject. : Maintenance of VPTs.

Your kind attention is drawn towards (an extract of para No. 114 regarding functioning of VPTs) 10th Report of Standing Committee on Communications, 1999-2000 on Demand for Grants (2000-2001) relating to Ministry of Communications. Extract of para 114 is produced below:—

"The Committee is concerned to note that at any point of time about 30 per cent VPTs do not function properly, as stated by the Secretary in evidence. In the light of this fact, the effective achievement as on February 29, 2000 comes somewhere near 2,58,000 VPTs *i.e.* 70 per cent of 3,58,538. Therefore, it is prudent to pay special attention towards the maintenance and monitoring aspect of the VPTs already installed so that the valuable assets are made use of by the people to achieve higher rate of growth."

Since a grave concern has been expressed by Standing Committee on Communications towards maintenance aspect of Village Public Telephones. Therefore, already issued instructions regarding above is being reiterated below for ensuring strict compliance:—

1. Testing of VPTs should be carried out daily from the exchange. Any VPT not responding on two consecutive days should be treated as faulty.

2. Testing of MARR links should be carried out daily from Base Station.

3. Meter reading should be checked fortnightly and low reading should be taken as a indication of the system not performing properly and subsequently be checked.

4. VPT holders should be advised to book their fault at telephone exchange/JTO Incharge.

5. Repair Centres should be set up in each Circle where it has already not been set up.

6. Sufficient spare units wherever not available should be procured.

7. Annual Repair Contract/AMC should be entered into with supplier of the systems.

8. Different Inspection schedules should be strictly adhered to.

9. Monthly/weekly performance report (suggested by NPC) should be submitted to TCHQ for monitoring.

10. SSA heads should hold meetings with villagers to sort out the grievances.

11. Flying squads constituted at circle level should be galvanised.

12. VPTs disconnected for non-payment should be shifted to new location/operators after wait for payment for 3 months to render services to villagers.

13. Faulty MARR systems should be repaired.

14. Un-serviceable system should be replaced.

15. In case of public complaints about non-availability of VPT on account of their location in Panchayat Bhawan, SSA heads are authorized to re-locate VPTs as per new norms.

16. In cases where meter readings remain zero is due to non-use of VPTs for a prolonged time and not in case of faulty VPTs, CGMs are authorized to shift VPTs to other suitable location. Selection of alternate operator/location in the same village in above referred 2 situations should be made departmentally and preferably at grocer shop as per recommendation (iv) of December, 1999 Committee Report headed by Hon'ble Minister for State ©.

17. VPT should not be disconnected up to cumulative unpaid bill of total value of Rs. 500/-. However, the STD facility will be withdrawn as soon as the first payment default occurs.

In addition to above please furnish the following information on top priority to enable Telecom Commission to take a decision for replacement of faulty irreparable analogue MARR systems.

(i) How many MARR VPTs are not working.

(ii) How many could be made workable with repair.

(iii) How many can not work at all.

(iv) How and in what manner can maximum quantities be retrieved out of the material to be written of.

While furnishing the above information urgent compliance of maintenance instructions on the existing VPTs should be ensured.

Sd/-
(Arun Kumar)
Director (ML)

Recommendation (Para No. 121)

The Committee is unhappy to note that the achievement during 1999-2000 in laying Optical Fibre Cables (OFC) upto 29 February, 2000 has been only 21,727 RKMs out of a target of 60,000 RKMs. Although the Secretary, DTS, appeared quite optimist and has stated that the likely achievement in this scheme would be 54,000 RKMs by the end of the year *i.e.* 31st March, 2000, the Committee finds it difficult to share his optimism. However, even if this statement is accepted, the Department would fall short by 10 per cent. Here also the same plea of non-supply/poor supply of Cables/HDPE pipes has been stated to be the reasons for non-achievement of the target. The Committee fails to understand why no concrete action is being taken to procure equipment timely when this problem is confronted each and every year. Moreover, the Committee had also recommended several times in the past to remove the bottlenecks in timely procurement of equipment. The Committee strongly recommends the same this year also.

Reply of the Government

Even though the achievement for OF Route kms. till Feb., 2000 had been only 21,727 out of the target of 60000 RKMs, by 31 March, 2000, this target had been exceeded with an achievement of 63265 RKMs. The 10% shortfall was anticipated earlier in view of non-supply/ poor supply of cables from certain vendors. However, against orders placed for OF cables for use during the first quarter of next year, part of the supplies were received promptly and this helped in achieving the optical fibre cable targets.

Recommendation (Para No. 122)

The Committee also desires that the Vendor Rating System devised by the Department to take against the defaulting vendors should be made more stringent so that they are suitably penalized in case of any slippages.

Reply of the Government

The procurement procedure of transmission equipment and OF cables is being streamlined progressively and this had ensured supply of adequate materials for achievement of targets both for Microwave and Optical Fibre Cables. The vendor rating system devised by the Department is quite effective and it is now possible to deny orders to those vendors whose supply records are very poor.

Recommendation (Para No. 123)

The Committee notes that laying of Cables has created problems for the residents of concerned area because the contractors who are selected to undertake the job usually leave the area in a mess creating manifold difficulties for the residents of the concerned areas. The Committee would, therefore, like to suggest that there should be a proper supervision to set things right in the aftermath of laying Cables and the contractors be made liable to fulfil their contractual obligations.

Reply of the Government

As the amount of cables being laid has increased enormously, certain problems may be faced by the residents of the concerned areas as the trenches dug for laying the cables are left open for sometime. The Department would take action to ensure proper supervision in this regard.

Recommendation (Para No. 128)

The Committee notes that in Local Switching Capacity the target for 1999-2000 was 58.70 lakh lines, the achievement upto February 29, 2000 has been 41.86 lakh lines. In Direct Exchange Lines (DELs) the target was 45.50 lakh lines and the achievement 33.82 lakh lines, in TAX capacity target was 523.000 K lines and the achievement 394.00 K lines and for Microwave System the target was 15,000 RKMs whereas the achievement has been only, 6,638 RKMs upto the same period. For the year 2001-2002 the target for the above mentioned schemes has been fixed at 72.35 lakh, 55.80 lakh, 575.00 K lines and 10,000 RKMs respectively. However, the Committee trusts that the achievement in the above mentioned schemes would be optimal by the end of the year and hopes that there is no slippage therein. The Committee also hopes that the Department would take all advance measures to see that targets fixed for the current year *i.e.* 2000-2001 are achieved without any shortfall.

Reply of the Government

The physical target set for the year 1999-2000 and the achievement made during the year 1999-2000 and the target fixed for the year

2000-2001 in respect of Local Switching Capacity, Direct Exchange Lines (DELs), TAX Capacity and Microwave are given as below:

Sl. No.	Scheme	Unit	1999-2000		2000-2001
			Target	Achievement	Target
1.	Local Switching Capacity.	Lakh Lines	58.70	67.17	72.35
2.	Direct Exchange Lines	Lakh Lines	45.50	49.18	57.90 (revised)
3.	TAX Capacity	K. Lines	523	480	515
4.	Microwave	RKMs	15,000	19,881	10,000

From the above table it is seen that the achievement for the year 1999-2000 in r/o Local Switching Capacity, Direct Exchange Lines and Microwave are above the target set for the year except the TAX Capacity where there has been some shortfall. The DTS achieved the TAX target 400 KC with an achievement of 403 KC, and TAX capacity of 85K was added by MTNL was sufficient to cater to the increase in STD/ISD traffic and further addition to the TAX capacity was not required.

Action for procurement of material required for 2000-2001 has already been taken and it is hoped that the target for 2000-2001 in respect of above Schemes shall be met.

Note: The para no. 128 above needs correction for the following sentence and the proposed corrected sentence is also given below:—

For the year 2001-2002 the target lines and 10,000 RKMs respectively. for the above mentioned schemes has been fixed at 72.35 lakh, 55.80 lakh, 575.00 K.

Correction:

For the year 2000-2001 the target for the above mentioned schemes has been fixed at 72.35 lakh, 55.80 lakh, 515.00 K lines and 10,000 RKMs respectively.

Recommendation (Para No. 138)

The Committee is highly concerned to note that for the North-East Region the target set for VPTs for the year 1999-2000 was 5000 whereas the achievement upto 29.2.2000 has been only 731. A target of 8,016 VPTs has been fixed for the year 2000-2001. Similarly, for Optical Fibre Cables, the achievement has been 670 RKMs out of a Target of 1300 RKMs and no target has been fixed for the year 2000-2001. In Switching capacity the position is somehow better as 1,12,538 lakh lines have been achieved out of a target of 1,28,000 lines. Out of a target of 1,00,000 lakh Direct Exchange Lines, 75,543 lakh lines have been achieved. A target of 1,05,000 lines has been fixed for the year 2000-2001. In TAX capacity, the target was 24 K lines and achievement 14 K lines. No target has been fixed for the year 2000-2001. Thus, the Committee finds that the position of telecom infrastructure in the North-East Region continues to be very unsatisfactory. The Department should make arrangement for effective monitoring and timely completion of projects as this area has remained neglected and villages are spread over difficult and inaccessible areas. The strategic location and unrest in the area demands faster development of means of communication.

Reply of the Government

The Physical targets, achievement for 1999-2000 and targets for 2000-2001 under various schemes set for North East Region are furnished below:

	Schemes	1999-2000		Targets
		Target	Achievement	2000-2001
1.	Village Public Telephones (Nos)	5000	1,129	8,016
2.	Optical Fibre Cables (OFC) (RKMs)	1,300	1,276	1,075
3.	Local Switching Capacity (lakh lines)	1,28,000	1,60,822	1,31,000
4.	Direct Exchange Lines (lakh lines)	1,00,000	1,04,963	1,05,000
5.	TAX Capacity (K Lines)	24	24	15.5
6.	Microwave Systems (RKMs)	1,500	1,545	1,410

From the table above, it is seen that the achievements of DELs, Switching Capacity, TAX capacity and Microwave System for the period 1.4.999 to 31.3.2000 (1999-2000) are over and above the targets fixed for the year. In case of OFC the achievement is of 1276 RKMs out of 1300 RKMs target fixed for the year which is 98%.

The reason for under achievement of target in VPTs in North East Region is due to discontinuance of Analog MARR technology and introduction of a new technology for providing Village Public Telephones. Also the Department was not able to get new technology equipment in time. New technology equipment including TDMA/PMP is expected to be available during the current financial year.

The Department is monitoring the progress of projects in the NE Region on monthly basis so that the targets for the current year are achieved.

Recommendation (Para No. 139)

The Committee notes that there is a Task Force for North-East Region to monitor installation work. The Committee feels that if the scope of the work of Task Force is widened to oversee and monitor the implementation and commitment aspects, things may improve, in North East Region. The Committee recommends accordingly.

Reply of the Government

The task force organization in the North East region is meant for execution of projects and in particular the transmission projects consisting of Microwave, Optical Fibre and Satellite. Effective co-ordination is maintained by NE Task Force Circle with the telecom circles in the North East Region to ensure that the target fixed for the NE Region are fully met.

Recommendation (Para No. 140)

The Committee is unhappy to note that in the case of VPTs out of a target of 10,000 during the year 1900-2000 under the TSP, the achievement has been only 1,300 upto 29 February, 2000. Similarly, in Satellite Earth Stations the achievement has been 25 by the end of the same period against a target of 73. The Committee, however, draws some consolation over the fact that the Department has already started deploying Satellite Terminals in North-East and Tribal Sub Plan areas and expects to receive 400 such equipments by the end of May, 2000. The Committee would like the Department to expedite receipt of the Satellite Terminals, which is considered a better technology for providing VPTs in remote and inaccessible villages.

Reply of the Government

The reason for under achievement of target in VPTs under Tribal Sub Plan is due to the discontinuance of Analog MARR technology and introduction of a new technology for providing Village Public Telephones. Also, the Department was not able to get a new technology equipment in time. New technology equipment including TDMA/PMP is expected to be available during the current financial year.

To achieve the targets in Satellite Earth Stations, the Department has already started deploying Satellite Terminals in North East and Tribal Sub Plan areas and expects to receive 400 such equipment by the end of May 2000. The new technology is better for providing VPTs in remote and inaccessible villages.

Recommendation (Para No. 149)

The Committee notes that the New Telecom Policy, 1999 aims to achieve a teledensity of 7 per cent by the year 2005 and 15 per cent by 2010 as well as to provide telephone on demand by 2002 with participation of Private Sector supplementing the efforts of the Department of Telecom Services (DTS). The Committee further notes that during the Ninth Five Year Plan a total of 237 lakh new telephone connections was to be provided collectively by DTS, MTNL and Private Operators—185 lakh lines to be provided by DTS and MTNL and 52 lakh lines by Private Operators. However, at the time of Mid-Term Appraisal considering the negligible progress made by the Private Operators share of DTS and MTNL has been raised to 222.7 lakh lines and the remaining 14.3 lakh lines are left to the Private Operators. The Committee apprehends that the Private Operators will not be able to provide even the reduced quota of 14.3 lakh lines by the targeted date as their efforts are still lukewarm. Therefore, the Committee would again like the Department to go on its own to fulfil the avowed objectives of the New Telecom Policy, 1999.

Reply of the Government

During the first three years of the 9th five year plan *i.e.* from 1.4.97 to 31.3.2000, 119.68 lakh new telephone connections have already been provided by DTS. During 2000-2001 it is proposed to provide additional 57.9 lakh new telephone connections including MTNL's. Much higher target is proposed to be taken up during the last year (2001-2002) of the ninth five year plan taking into account the waiting list at the beginning of the fifth year of the ninth Plan. It would be utmost endeavor of the department to meet the objectives of providing telephone on demand 31.3.2002 with whatever contribution that may be provided by the private basic service providers.

Recommendation (Para No. 150)

The Committee notes that teledensity in some of the States like Assam, Bihar, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh, West Bengal, Jammu & Kashmir and in almost all the North-Eastern States is abysmally low. Waiting List for telephone connections was around 8 lakhs in Tamil Nadu, 7 lakhs in Kerala, more than 5 lakhs in Andhra Pradesh, 4 lakhs in Karnataka and quite substantial in other States. The Committee notes that higher weightage is being given to the above-mentioned States while fixing the annual target of Direct Exchange Lines (DELs). The Committee trusts that utmost efforts would be made to realise enhanced targets of DELs in the States where teledensity is low.

Reply of the Government

Noted.

Recommendation (Para No. 151)

The Committee notes that concessional registration fee which has been recently innovated to improve the teledensity has brought out the 'hidden' demand which the Department could not anticipate earlier. The Committee, would like the Department to gear up its machinery to meet the progressive or the exponential demand that may surge up in near future.

Reply of the Government

The department would make all possible efforts to meet the additional demand of new telephone connections that may arise due to concessional registration fee being announced by some of the telecom circles to generate additional demand for meeting the target of teledensity set up in New Telecom Policy' 1999.

Recommendation (Para No. 159)

The Committee is concerned to note that for Madhya Pradesh, North-East, Orissa and Tamilnadu Telecom Circles, the target was to reduce faults to 8 per 100 stations (Telephones + extensions) whereas the achievement has been 13.5, 10.8, 18.9 and 9.6 respectively Similarly in some other Circles like U.P. (W), Kerala, Karnataka, Jammu & Kashmir etc. the achievement in fault rate reduction is very poor. This high fault rate, is stated to be due to damage and theft of cables, activities like road digging etc. by various other agencies, breakage of overhead lines, mishandling of telephone instruments besides natural calamities like flood, cyclone etc. The Committee is astonished over the persisting high fault rate in so many circles although the Department is stated to have taken a number of measures like opening of more and more internal DPs, introduction of modern technologies like Wireless in Local Loop (WILL) for providing telephone connections, training to skilled staff in modern technologies, provision of pagers to line staff etc. The Committee is of the opinion that this is an area which requires the Department's serious consideration, an indepth study and introduction of appropriate administrative measures to tone up the administration in field formations with a view to curbing the menace of high fault rates which, coupled with the related malpractices, are spoiling the reputation of the Department. The Department should make amends to be subscribers who suffer from recurring faults.

Reply of the Government

At present, the switching network operating in the country is of electronic type and state-of-the-art technologies have been inducted in the network. About 98% of the faults occur in the external plant. The outdoor plant is upgraded and rehabilitated regularly.

The fault rate is monitored at higher level in the circles as well as TCHQ Headquarters. The "MS" branch compiles quarterly/annual achievements of performance parameters. The units which do not achieve their targets are instructed to adopt the ways and means to improve the performance parameters including the fault rate. The performance of fault rate is reviewed in the weekly and monthly Telecom Commission meetings. The fault rate is reviewed in the Zonal Committee Meetings also. Recently a committee was formed under the chairmanship of Sr. DDG (MS) to suggest the steps to be taken by the Department to reduce the fault rate.

With the above activities it is expected that the fault rate would improve considerably in the near future.

Recommendation (Para No. 160)

The Committee notes that due to inadequate power backup the Department had to face a lot of problems to restore telephone lines in Orissa in the aftermath of the Super cyclone. In this context, the Committee would like the Department to provide adequate number of generators not only to Exchanges which have air conditioners but also to small Exchanges without having that facility, especially in the coastal areas where natural calamities like cyclone, flood etc. are common phenomena.

Reply of the Government

The Department takes due care in making sufficient stand by power supply arrangements to the exchanges like engine alternators/portable gen-sets, batteries etc. to run the exchanges during power supply failure. The places where the electric supply is erratic are brought to the notice of the state electricity authorities for taking remedial steps. Adequate power backup is provided in the rural and natural calamity prone areas.

Recommendation (Para No. 168)

The Committee notes that the present PCO-urban population ratio is 1:451 against the prescribed norm of 1 PCO for 500 people. But the position is quite unsatisfactory in certain States like Bihar where it is 1:876, in West Bengal 1:774, in U.P. (E) 1:667 and in some other States also it is much more than the prescribed norm of 1:500. The Department, of late, has fully liberalized the PCO allotment policy and anybody unemployed and with the minimum educational qualifications can be allotted a PCO. This indiscriminate allotment policy has resulted in mushrooming growth of PCOs in certain areas and thereby rendering many of them unviable. The Committee desires that a study be made to gauge the impact of the liberalized PCO allotment policy upon the viability of PCO business, particularly in those Circles where the PCO-population ratio either too low or too high and in the light of the findings of the study, appropriate steps be taken.

Reply of the Government

In pursuance of the recommendations of the Standing Committee, a group has been constituted to conduct a study on the viability/profitability of the STD/ISD PCOs in rural and urban areas. In this connection data has been called from different Telecom Circles which include those Circles where the PCO-population ratio is either too low or too high.

Recommendation (Para No. 182)

The Committee is happy to note that C-DoT is not suffering from any resource crunch and for the year 2000-2001, C-DoT has got Rs. 166 crore from the Department as grants-in-aid. It is also encouraging to observe that the Organisation which was earlier producing Telephone Exchanges upto 10,000 lines is now capable of providing Exchanges upto 1,00,000 lines of international standard. By producing ISDN line, CCS-7 signalling systems etc., C-DoT technology has been recognized as having the technology at par with multi-national companies. Even with so much advancement which has brought laurels to C-DoT, the Organisation needs the patronage of the Department and the Committee hopes that the latter will continue its support both financially and otherwise, for further development of the premier public sector telecom Research organizations of the country.

Reply of the Government

As per the directives of the standing committee in para 182, it is assured that the Department will continue to support C-DoT both financially and otherwise for further development of this Premier Public Sector Telecom Research Centre of the country.

Recommendation (Para No. 183)

The Committee is, however, concerned that exodus of trained manpower is still there in spite of various steps taken in this regard. Even though a very good working environment has been created besides providing top class tools and instruments, there is no sign of improvement. The bound system and grant of perquisites which have been introduced to check exodus are not found to be successful. No doubt it is an universal phenomenon, yet further steps should be devised including improved emoluments, more varied perquisites to make C-DoT more attractive to the scientists, as the country can ill afford to lose them after investing heavily in their training and education. All efforts should be made to make C-DoT an ideal research organisation which will prove that this public sector organisation is second to non in its capabilities and achievements.

Reply of the Government

As per the directives of the Standing Committee in Para 183, C-DoT is minimizing the steps to be taken, *i.e.* the incentive packages to be offered to our R&D engineers to minimize the problem of manpower turnover. These schemes would be placed before the next meeting of the Steering Committee/Governing Council for their approval, before implementing in C-DoT.

Recommendation (Para No. 194)

The Committee notes that Telecom Factories are producing equipments of old technology and they need massive modernization. In an earlier Report on Telecom Factories, the Committee has discussed their problems in detail. However, the Committee finds that budgetary grant of Rs. 9.84 crore to the Telecom Factories for the year 2000-2001 is too meagre to undertake any worth while modernization process. The Member (P)'s statement that there will be no problem in giving the Telecom Factories more money when they move further, indicates optimism. But, it is also a fact that to move further these factories need money. The performance of the Telecom Factories in achieving the physical target during the year 1998-99, where there has been wide variations between the target and achievement, indicates that they need funds to upgrade the existing plant and equipment, and meet their working capital requirements. Taking all the factors into account the Committee feels that the onus lies with the Department to help upgrade and modernise its captive units.

Reply of the Government

The recommendation of the Standing Committee is well received. The Department has itself been striving to upgrade the product-mix of these factories as well as to modernise them in every possible way. It may be submitted that the Budgetary grant of Rs. 9.84 crores is proposed to be increased to Rs. 19.87 crores at the Revised Estimates stage during 2000-2001. In respect of most of the products manufactured by the Factories, full capacity utilization has been achieved during 1999-2000 (Please peruse Annexure C). The Product Development Group of Telecom Factories has been meeting regularly to identify products which could be taken up for manufacture, keeping in view the

Department's requirements. During the year 1999-2000, manufacture of the following new products has been taken up:

- 40M Narrow Base Towers;
- DP Boxes-5 Pair;
- 0.5 mm Self Supporting Drop Wire;
- Discrete Wire Connectors.

During the next three years, following new products, recommended by the Product Development Group, are being considered for manufacture:

- SBM of C-DoT Design
- Electronic Push Button Telephones
- SMPS Power Plants
- Fibre Distribution Frames
- Digital Data Distribution Frames

The Following modernisation plan is proposed for the Telecom Factories during the next three years:

- Construction of new multistory administrative/engineering block in the Telecom Factory, Jabalpur;
- Implementation of ISO 9002 at the Calcutta and Mumbai Factories in Connector Manufacturing Line and at the entire Richhai Unit;
- Re-training of staff and management to implement modernisation;

Improvement in productivity by introduction of:

(a) On line Inventory Management.

(b) On line Interface with the Heads of Telecom Circles.

(c) Computerized supply-chain management.

(d) Computerization of MIS activities in all the Factories.

ANNEXURE
Para (194)

Capacity Utilization of Telecom Factories During 1999-2000

S.No.	Item	Production 1998-99	Target 1999-2000	Production 1999-2000	% Capacity Utilisation
1.	Bkt. Ch. IR 4W	1283000	1200000	1322746	110
2.	Buttenski Telephone	4500	10000	14327	143
3.	CBT-95	6383	15000	12089	81
4.	C.D. Cabinets	17204	17000	20006	118
5.	C.T. Boxes 100 pair	—	150000	161014	107
6.	D.P. Boxes	389472	450000	577674	128
7.	Line Jack Unit	2046285	2200000	2625812	119
8.	MDFs	3674	5325	5195	98
9.	Modems	550	1500	3096	206
10.	Microwave Towers (in MT)	6968	7600	10442	137
11.	Masts S.S. 15M (Nos)	9872	1500	5212	347
12.	Saddle A&B	37275	800000	485000	61
13.	Socket B	37500	30000	27500	92
14.	Sole Plate B&C	85	125000	60000	48
15.	Stalks	682000	600000	547650	91
16.	Support Bracket	1071000	1800000	1326350	74
17.	Tube of sorts	679427	785000	1030120	131
18.	U-Back	1168000	900000	1100322	122
19.	Mast S.S. 40 M (WB) (Nos)	160	150	81	54

Recommendation (Para No. 195)

The Committee is happy to note that as per its earlier recommendation, a Product Development Group has been set up to see how things can be improved. Similarly, pursuant to the recommendations of the Committee, a perspective plan has been drawn up by individual Factories and the Department has to integrate them together to ensure that no mismatches are there. While commending these steps to be in right direction, the Committee would like the Department to ensure that plans drawn by Product Development Group are implemented in letter and spirit and for all these purposes additional financial provisions should be made.

Reply of the Government

A Perspective Plan for the Telecom Factories has since been drawn up. As already stated, the recommendations of the Product Development Group are being given due consideration for implementation. It may be added that provision of funds will not be a constraint in the implementation of recommendations of this Group.

Recommendation (Para No. 209)

The Committee regrets to note that MTNL's achievement in Local Switching Capacity (upto 29.2.2000) has been 3.01 lakh lines out of a target of 5.70 lakh lines during the year 1999-2000. Similarly, in Direct Exchange Lines (DELs) the achievement was 2.72 lakh lines against a target of 4.25 lakh lines. Even if CMD, MTNL's claim that the Nigam would achieve 3.91 lakh lines in Switching Capacity and 3.5 lakh lines in DELs by 31st March, 2000, is accepted, there would be a shortfall of around 1.80 lakh lines in Switching capacity and approximately one lakh lines in DELs. Availability of Telephones on Demands both in Delhi & Mumbai—the reason advanced by the CMD for falling short of the target, is not convincing in view of the fact that as on 31st January, 2000 there was a Waiting List of 1,34,098 in Delhi and 42,726 in Mumbai. The reasoning that there was a mismatch between the demand projections and the actual demand that cropped up due to the registration fee—the reason forwarded for the large number of Waiting List—also speaks of the Company's un-preparedness in meeting the progressive demand. However, as assured by the CMD, MTNL, the Committee would like the Nigam to analyse the hidden demand and take all necessary measures, to eliminate the Waiting List. The Committee further recommends that target fixed for Switching Capacity and DELs for the year 2000-2001 should be strictly adhered to.

Reply of the Government

The Committee's observation that 'MTNL's achievement in local switching capacity has not been upto the target' was explained to the Committee in the following manner. The capacity that was built into the network was adequate to meet the demand for telephones. Though the targets were kept based on projected demands, due to other reasons like slow down in the economy the demand did not come to our expectations. Hence the capacity that was installed was less than the targeted figures. However, part of the gross capacity was utilised to replace the older technology analogue electronic exchanges and cross bar exchanges. With this strategy both Delhi and Mumbai networks were made 100 per cent electronic. The observation of the Committee that the target fixed for switching and DELs capacity for the year 2000-2001 should be strictly adhered to has been taken note of by the Company. The Company will make its own demand projections during the current year. It will also work out the replacement of some of the older analogue electronic exchanges in the network and during the mid-year review, the company will indicate the final targets for capacity additions.

As regards company's un-preparedness to meet the progressive demand, it is stated that initially demand fell short of the targets; therefore, registration charges were lowered to attract demand. MTNL did receive an encouraging response but it was from the subscribers who are located in the areas, which in original planning were not considered to generate such a demand. However, now company will be taking all necessary steps.

Recommendation (Para No. 221)

VSNL is also going to lose its total investment *i.e.* 150 million which has been made in ICO Global Commission. The Committee notes that efforts are being made to redeem whatever amount is possible in the event of ICO coming out of liquidation and successful reorganisation. The Committee, would like to advise both DTS and VSNL not to lose track and get back whatever amount possible in view of so many economic threats looming large over VSNL from so many angles. The Committee also desires that a proper study should be made under what circumstances and on what considerations VSNL entered into an agreement with 'Iridium' to provide facilities that were set up at Pune.

Reply of the Government

The advice of Honourable Committee not to lose track of the happenings in ICO and get back whatever amount is possible is well taken. VSNL would like to assure the Honourable Committee that no stone would be left unturned to get the best possible out of the situation.

The case has already been taken up by the vigilance cell of DoT for detailed investigation. However, VSNL has informed that before making the said investment, VSNL had analysed the available information at that time to ascertain viability of the project.

CHAPTER III

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

Recommendation (Para No. 33)

The Committee notes that in January, 1999 a sum of Rs. 3700 crore was outstanding against the Private Operators as license fee and in February, 1999, a proposal was made to the Private Operators to pay at least 20 percent of their outstanding dues to save termination of their licenses. On the day of migration *i.e.* the 31st July, 1999, the amount due was 3,268 crore but the migration package provides for giving notional extension of effective dates by six months which reduced the outstanding amount to Rs. 1,875 crores. The Committee also notes that a sum of Rs. 257 crore is to be realized from M/s. Modicom, the CMT (Circle) Licensee in Punjab and Karnataka Service Areas under the migration package. Needless to mention that the Department under the new package is going to lose around Rs. 2,000 crore in the light of the notional extension of effective dates by six months given to the Private Operators and the amount outstanding against M/s. Modicom. The Committee is, therefore, unable to find justification of the new regime in view of the loss of revenue to the Department and the uncertainties still prevailing in the participation and performance of the Private Operators.

Reply of the Government

All the dues under the migration package from existing licensees in respect of whom migration was progressing have been recovered, including from M/s. Modicom for Karnataka and Punjab Circles. An amount of Rs. 2336.04 crores has been received upto 15.4.2000 in this regard, apart from revenue share.

There is no reduction as such in the amount of arrears in terms of the package offered to existing licensees for migration to NTP-99 regime of revenue sharing. The rate of interest and its penal nature remain intact. The only relief provided is by way of across the board extension of effective date by six months (subject to the condition that any extension granted earlier was accounted for) in consideration of the delays in grant of clearances, etc. which had led to a spate of litigation. It may be highlighted that this relief of extension of effective date has not been granted to the Metro Cellular Operators because they were in a comparatively favourable position.

Recommendation (Para No. 34)

The Committee notes that under the revenue sharing regime the Department's share will be 15 percent whereas the profits of the Private Operators will be 25-26 percent. It is pertinent to note that 15 percent revenue sharing by the Department was decided even though the Department considered that upto 20 percent revenue sharing would have been much more reasonable. It opted for 5 percent less than what was reasonable for reasons best known to the Department. The whole approach of the Department seems to be to make things much easier for the Private Operators. The Committee is not against private participation *per se* in Telecom Services. But the overriding concern of the Department should be to safeguard the national interest and Government revenue. Therefore, the Committee strongly disapproves undue favour being given to the Private Operators at the cost of Government revenue.

Reply of the Government

The national interest and Government revenue have been adequately safeguarded. The Government's decision to fix 15% of the gross revenue of the Licensee as license fee is provisional. On receipt of TRAI's recommendation and Government's final decision, final adjustment of provisional dues will be effected depending upon the percentage of revenue share, as may be finally decided.

Recommendation (Para No. 65)

The Committee is concerned to note that ITI's request for a budgetary grant towards its R&D activities has been turned down. However, it finds some consolation in the fact that some rethinking is going on on this matter and the Committee hopes that grants would be provided to ITI for its R&D activities keeping in mind the fact that the expenditure of the Company is around Rs. 30 crore on this account.

Reply of the Government

ITI's proposal for budgetary grant towards its R&D activities was processed with the Ministry of Finance and the same has not been agreed to. It is informed that expenditure on R&D activities is a standard operating expenses for all telecom companies. The industry average, national or international, is to spend around 10% of revenue on R&D activities. This translates in the production of new products, which generate a revenue stream. In view of the above it is informed that no budgetary support has been agreed to by the Government for R&D activities. Funding for these activities should form part of the normal operating expenses of ITI.

Recommendation (Para No. 66)

The Committee is extremely happy to note that by taking up maintenance and installation work in a massive way, ITI has become able to retrain and re-deploy its manpower besides diversifying into other areas which are more manpower intensive. The Committee lauds these steps of the Company in view of the fact that excess manpower has always adversely affected the performance of the Company. However, now that the Company has decided to judiciously utilize the manpower instead of getting rid of them, the Department should extend all possible help to the Company in its mission. The Committee also desires that the requirement of manpower in DOT, wherever, possible, should be considered *vis-a-vis* the excess manpower of ITI.

Reply of the Government

The Department of Telecom Services processed the case of examining the possibility of taking surplus manpower of ITI on deputation to DTS in consultation with Department of Personnel and Training. It has been informed by the Department of Personnel and Training that there is no provision for taking staff on deputation from the PSUs. Therefore, the proposal was not agreed to. However, ITI has been advised to retrain and re-deploy the excess manpower wherever possible without resorting to fresh recruitment.

Recommendation (Para No. 68)

The Committee observes that there was a proposal to disinvest upto 49 percent of the Company's stake. However, it was deferred on the basis of the recommendation of this Committee in one of its earlier Reports *i.e.* not to disinvest the Company till it turns around. The Committee is of the opinion that there is no need to disinvest Government stake in ITI Ltd. since it has become profitable and future looks more promising. It should continue as a Government Company and further encourage indigenous efforts in the telecom sector. The Committee appreciates the efforts made by the Management, employees and workers of ITI Ltd. for the Company's revival and vastly improved performance resulting in earning working profits and hopes that the improved trend will continue and the Department would finally abandon its proposal of disinvestment.

Reply of the Government

Disinvestment in central PSUs is a policy decision of the Government and the Government has decided to defer the disinvestment plans in ITI. Final policy decision for disinvestment in central PSUs is under consideration of the Government DoT is not in position to take an isolated view to abandon the proposal of the Government for disinvestment in ITI.

Recommendation (Para No. 76)

The Committee notes that it has been under consideration whether the Government should go beyond 50 percent disinvestment of HTL. The Committee desires that its observations in this regard communicated to the DoT in the earlier Reports be given due consideration before deciding the future course of action. The Committee appreciates the strenuous efforts made by the Management, employees and workers of the HTL Ltd. to improve its performance and the results they have achieved. It is hoped that in view of the considerably improved performance of the HTL Ltd., and its prospects in the future, there will be no occasion to take recourse to disinvestment of HTL shares.

Reply of the Government

Policy decision of the Government for disinvestment in central PSUs beyond 50% of Government held equity was under consideration and have taken a decision to go upto 74% DOT is not in a position to take an isolated view on the disinvestment policy of the Government applicable to all PSUs.

Recommendation (Para No. 89)

The Committee notes that no provision has been made in the BE (2000-2001) for Coaxial Cable Systems and other Trunk Cables as induction of these equipments has been stopped in the DTS network. But the Committee files to understand why no provision has been made for UHF & VHF Relay Systems, open wire carrier and HF Radio Systems in the BE (2000-2001). It is imperative to know whether induction of these technologies have also been stopped. If it is otherwise, the Committee would like to recommend that omission, if any, may be set right at the RE (2000-2001) stage.

Reply of the Government

Induction of Coaxial Cable System and other trunk cables has been stopped in the DTS net work. There is now no procurement of the technologies mentioned above. Hence no budgetary provision has been made.

Recommendation (Para No. 110)

The Committee is constrained to note that in providing Village Public Telephone (VPTs), the achievement of the Department upto 29 February, 2000 is a dismal 17,898 out of the target of 45000. Non-availability of suitable technology coupled with poor availability of infrastructure facilities like electricity and road communication in Rural Areas as well as poor performance of Private Operators have been stated to be the reasons for under achievement. These oft-repeated reasons by the Department for its under performance are not at all acceptable to the Committee. Only last year, the Department had assured the Committee that the new technologies would be deployed for providing VPTs every year and that further procurement of equipments based on MARR technology has been stopped since August, 1997. This time also the Department is repeating the same plea saying that the three technologies viz. wireless in Local Loop (WLL), C-DoT TDMA/PMP and Satellite Systems would be installed after gauging their suitability for providing VPTs. The Committee deprecates such a casual attitude of the Department towards such a vital sector and desires that these three Technologies after their usual field trials be deployed immediately for providing VPTs in view of the failure of the MARR technology. The slow and unsatisfactory performance in the past in this field be made good by the end of the year.

Reply of the Government

The procurement of MARR equipment was stopped with effect from December, 1997 due to non satisfactory performance of the technology. Since then the department intensified efforts to identify suitable technologies for providing Village Public Telephones in the rural areas of the country. The following new technologies were identified subsequently for induction in the network:—

(i) C-DoT TDMA/PMP system for providing VPTs and to meet the scattered demand in rural areas;

(ii) Wireless in Local Loop: For VPTs and to meet the scattered demand in rural areas.

(iii) Satellite Based technology for providing VPTs in remote & isolated villages of the country.

Since these are new technologies and are going to be deployed for the first time in DTS network, comprehensive tests including Type Approval of the technology from Telecom Engineering Centre (TEC) and Field Trial of the system are being carried out prior to their induction. The validation process of any new technology is very comprehensive and time consuming and involves installation of the system in the field by the prospective bidders extensive testing by TEC, rectification of faults noticed and thereafter field trial of the system with working connections.

The status of validation and procurement of new technology equipment for VPTs is given as under:

Order has been placed for 400 Satellite terminals and equipment is being supplied. Validation process has been completed recently for C-DoT TDMA/PMP and WLL systems. Financial bids for 20,000 lines WLL tender are going to be opened shortly. Tenders are scheduled to be opened for 6,00,000 lines in the month of August, 2000. Case for procurement of C-DoT TDMA/PMP has already been initiated.

The department is committed to induct only the proven technology in future and to achieve the target of providing VPT in every revenue village of the country by March 2002 for which all efforts are being made. The Committee should, however, appreciate the efforts made by the department in providing 37,058 and 33,965 VPTs during the last two years even in the absence of any proven technology.

Recommendation (Para No. 152)

The Committee notes that in order to counter the adverse impact of TRAI's tariff proposal on the overall teledensity of the Country, DTS has announced an alternate tariff package so as not to increase tariff in respect of customers in rural areas and low calling subscribers in urban areas. It is undoubtedly a well thought out measure to ensure telecom service at affordable cost besides maintaining the projected growth of teledensity. Still, the Committee feels if this low-calling high-calling distinction among the urban subscribers persists for some more years, it might create an imbalance in the growth of teledensity and therefore, the matter need to be sorted out in consultation with TRAI.

Reply of the Government

The observations/recommendations of Standing Committee on Communications contained in Para 152 were forwarded to TRAI and the Authority has given its comments on 22.05.2000. In its reply, the Authority has stated that the pattern of low calling/high calling subscribers would be considered in the ongoing tariff review. It has, however, opined that as cost per line goes down and income levels as well as coverage of telephone services increase, low callers too will benefit from better affordability of these services. This will have a positive effect on tele-density and, at least, to some extent, reduce the low caller/high caller distinction. The Authority has also added that present system has to be combined with funding for Universal Service Obligation for which the Authority is formulating USO levy as envisaged in New Telecom Policy. The USO levy is being designed to provide resources to be used towards increasing tele-density in areas with low coverage, in particular, rural areas.

Recommendation (Para No. 174)

The Committee finds that an amount of Rs. 1228,59,00,000 was outstanding against various categories of subscribers at the end of June, 1998. Similarly, during 1997-98 a total sum of Rs. 1,04,24,000 outstanding was written off, out of which DoT's share was Rs. 98,40,000 and MTNL's Rs. 5,84,000. During the year 1998-99 also, a sum of Rs. 1,43,22,000 was written off, in which DoT's share was 1,33,63,000 and MTNL's Rs. 9,59,000. The Committee feels that procedure for recovering and writing off outstanding dues needs through scrutiny. The reasons for the accumulation of arrears as high as Rs. 1228.59 lakh, and writing off of crores of rupees each year, require to be looked into very deeply and seriously, and all necessary steps taken to realise the revenue.

Reply of the Government

I Outstanding: Out of the Rs. 1228.59 crores mentioned as outstanding, Rs. 376.03 crores was recovered up to January 2000, leaving a recoverable balance of Rs. 852.56 crores. Vigorous action is being taken to recover the balance.

The arrears mentioned in the report are to be seen in the light of the fact that DoT has a network of over 23 million telephones, growing at the rate of 21% per annum. Whereas the billed amount has grown at 34%, 23%, 23%, 18% and 18%, respectively, in the 5 years preceding 31-3-1998, the percentage of gross accumulated outstanding to the amount billed each year has remained at 17%, 16%, 16%, 16% and 16%, respectively, for the 5 years shown in the table below:

Year to Billed	Amount Billed for (Rs. in crores)	%age increase over previous year	Gross Outstanding (Rs. in crores)	%age of Gross Outstanding Amount
1993-94	7545	34	1271	17
1994-95	9273	23	1480	16
1995-96	11437	23	1851	16
1996-97	13512	18	2218	16
1997-98	15943	18	2538	16

For the year ending 31.3.1998, for instance, while the total billed amount was Rs. 15,943 crores, the Outstanding amount was just 16% of the same. The important point to be noted is that these outstanding are the total arrears accumulated over 10 years or more, and if seen as a percentage of the total *amount billed in those years*, would come to a very small amount.

II Write Off: During 1997-98, the amount written off by DoT is only 0.008% of its billed amount in the year and the amount written off by MTNL is 0.001% of the total billed amount in 1997-98. During 1998-99, the amount written off by DoT is only 0.01% of the amount billed in that year and MTNL has written off 0.002% of the total billed amount for 1998-99 as shown in the table below.

Year	Amount Billed (Rs./in Lakhs)		Amount Written of (Rs./in Lakhs)		%age of Write Off to Amount Billed	
	DoT	MTNL	DoT	MTNL	DoT	MTNL
1997-98	1171000	423300	98	6	0.008	0.001
1998-99	1402500	466900	134	10	0.010	0.002

The amount written off relates to dues of the past 10 yeas or more, not to dues billed in that year. The DoT/MTNL only writes off such dues as are completely irrecoverable. There is a through process for establishing the same. If the dues are over Rs. 5000/-, a legal suit is filed. If the subscriber is absconding, the police are asked to ascertain their whereabouts. If he pleads insolvency, the Revenue authorities are asked to assess his assets and financial position. In all cases, the subscribers have first been disconnected. Cases for write off of irrecoverable dues (for closed connections) are then examined by a liquidation Boards or High Power Committees, and only a specific competent authority can then write them off.

III Steps taken to reduce Outstanding:

1. Targets are fixed twice a year for all field units to liquidate their outstanding, and performance monitored against the same.

2. Enhance incentives for staff have recently been declared for the early recovery of outstandings.

3. The powers of the Circle for legitimate write off have been enhanced.

4. High Power Committees and liquidation boards have been set up in the field for the early liquidation of outstandings.

5. The collection efficiency of each Circle is monitored by the Directorate each month.

6. The units are being pursued to apply revised tariffs and issue bills promptly as well as to disconnect promptly for non-payment.

7. As a part of the dues pertains to State Government departments, the case is taken up with their Chief Secretaries/Chief Ministers.

Recommendation (Para Nos. 210 & 211)

The Committee is anguished to note that fault rate in Delhi during 1999-2000 was 26.6 per cent per 100 Stations against a target of 17 and in Mumbai it was 12.1 against a target of 11 during the same period. It is really disheartening to note that the fault rate in MTNL areas is much higher *vis-a-vis* the DTS network despite so much improvement in technologies. The Committee is therefore, inclined to believe that side by side with technological improvement, the aspect of human element need greater attention and urgent action.

The Committee is concerned to note that although telecom technology used by MTNL is very good upto the Telephone Exchange, it is not upto the mark from Exchange to the subscribers premises. The Committee is also concerned to observe that MTNL's customer care has been at best sub-optimal only, MTNL's proposal to invest a lot of money in both training of personnel and improving the technology, is a step in right direction. MTNL should not lose its direction particularly in the emerging competitive environment when it might lose customers to its competitors who are expected to be in a better position technologically as well as in the matter of their resources.

Reply of the Government

CMD, MTNL explained to the Committee the basic reasons for fault rates which are:

(a) Delhi is a fast developing area covering more than 1500 Sq. KMs;

(b) Almost all the developmental agencies like electricity, water work, drainage, metro rail etc. are carrying out their works, which damage telephone networks.

(c) There are many villages in the fringe areas of Delhi where the cable network is not adequate or widespread and long lengths of overhead lines are used;

(d) A number of cables which are in ducts have developed faults and the ducts have become drainage pipes making it impossible to repair these ducted cables.

(e) Many areas, particularly in Old Delhi, are very congested and the overhead wires develop frequent faults.

Following action plan is proposed by Delhi Telephones:

(a) Extensive use of DLC system in the network to replace the old faulty cables.

(b) Use of WILL technology to improve reliability;

(c) Upgradation of the external plant network. This year 50,000 lines in each of the eight areas of Delhi are planned to be upgraded.

(d) Out of 1.58 lakh lines of analogue equipment, 1.28 lakhs lines have been replaced by the state of the art electronic Digital equipment, Balance are planned to be replaced by June 2000.

(e) Introduction of Wireless in Local Loop.

During this year Pilot Projects have been undertaken by the Delhi Telephones when specific pockets have been upgraded and this has shown considerable reduction in the fault rate which is shown in the table given below. Delhi Telephones plans to continue this to other areas also during this year as per the plan given below:

Year	Lines Rehabilitation
1999-2000	40,000
2000-2001	6,00,000
2001-2002	9,00,000

Exchange	No. of DELs Rehabilitated	Fault rate in %age	
		Before Rehabilitation	After Rehabilitation
1	2	3	4
Kidwai Bhawan	4750	10	4
Jorbagh	1902	6	1
Janpath	816	—	—
Sena Bhawan	621	—	—
CGO Complex	2357	—	—
Rajpath	603	—	—
Shakti Nagar	262	27.1	5.7
Rohini	550	34.75	9.75
Keshwapuram	250	13.8	6
Chankyapuri	3383	17.15	3.77
Vasantkunj	4505	19.8	2.3
Haus Khas	2370	—	5.8
Bhikaji Kama Place	1892	31.4	21.3
Okhla	3144	23.75	11.18
Nehru Place	2488	—	—
Tekhand	231	—	—
Laxmi Nagar	2270	—	—
Karkardooma	562	—	—
Mayur Vihar	2489	—	—
Shahdra	374	—	—
Minto Road	700	13.00	5.00
Delhi Gate	650	27.00	9.5

1	2	3	4
Idgah	775	25	8
Janak Puri	688	25.6	13.8
Karol Bagh	385	—	—
Hari Nagar	110	23.6	6.36
Paschim Vihar	284	—	0.0
Rajouri Garden	559	—	—

Since massive investments are required to upgrade the entire network, the above pilot projects were taken to ensure proof of concept.

Recommendation (Para No. 212)

The Committee takes a serious note of the instance of misuse of special facilities like the DID EPABX network which is meant for limited use in high rise buildings being misused for purposes not meant for. The Committee desires that the Government should make an early enquiry into it and put a stop to the misuse of this facility. The Committee wants that MTNL should provide such facilities itself.

Reply of the Government

A note on DID EPABX working on franchise basis in Delhi and Mumbai is enclosed at Annexure 'D'.

MTNL has already initiated an enquiry under the GM (Vig.) Delhi Telephones into alleged misuse of PABX facilities by M/s. Nimani.

Alleged misuse is mainly with regard to extending the PABX lines beyond the permitted 500 meters range and usage of Telephone cards. Final report is expected within a short time and further action as called for, will be taken.

MTNL has already taken a decision to provide PABXs for its customers as was being done before.

Comments of the Committee

(Please *see* para No. 24 of Chapter I.)

ANNEXURE
(Para 212)

NOTE ON DID EPABX WORKING ON FRANCHISE BASIS IN DELHI AND MUMBAI

The Department of Telecom had approved a policy in 1989 for private parties to purchase and provide electronic PABXs for service residents of group housing societies and in multi-storeyed buildings. The reason for this policy is, due to shortage of provision of direct exchange lines it may not be possible for the residents and other users in such large buildings to have their individual telephones and sharing would enable better utilization of national resources in the field of telecommunications. The following were the commercial conditions for provision of EPABXs:

(A) Charges that the subscribers have to pay to the franchisee:

(i) No free calls will be allowed to the bi-monthly bills that the franchisee will issue to his subscribers.

(ii) Monthly rent upto a maximum of Rs. 100/- will be permitted to be charged from extension users.

(iii) Charges per unit call will be at Rs. 1.10 at flat rate without any slab.

(iv) Security deposit paid a maximum of 12 months rental (*i.e.* Rs. 1200) can be collected from extension user by the franchisee. This amount will be non-interest bearing.

(v) Registration charges will be Rs. 1000/- (non-interest bearing to be adjusted with security deposit at the time of provision of telephone).

(vi) Subscribers may have to deposit extra security, if the average bill for a period of three months exceed the security deposited with the franchisee.

(vii) Installation charges will be Rs. 800/- upto a maximum level.

(viii) Franchisee may be permitted to revise his terms and conditions with his subscribers after the approval of the DOT.

(B) Charges to be levied from the franchisee by DOT:

(i) Monthly rental for junction line:

Outgoing & Both ways Junctions	Exchange System Capacity (Lines)	Monthly Rental	
		Rural Franchisee	Urban Franchisee
	Upto 999 lines	Rs. 60/-	Rs. 90/-
	1000—29,999 lines	Rs. 120/-	Rs. 120/-
	30,000-99,000 lines	Rs. 165/-	Rs. 165/-
	100,000-299,999 lines	Rs. 216/-	Rs. 216/-
	300,000 lines & above	Rs. 228/-	Rs. 228/-

Rentals for incoming junctions will be the same as for outgoing and bothway junctions with a rebate of Rs. 50/- per month per junction.

(ii) The above charges will be paid annually in advance.

(iii) On every outgoing junction, a commission of 20% for call upto 10,000 calls, 15% for call between 10,000 and 20,000 calls and 10% for call beyond 20,000 calls made during the period of one month will be permitted to the franchisee.

(iv) DOT will issue bills to the franchisee at a flat rate of Rs. 1.10 per call unit without any junction. Bills will be issued on monthly basis.

(v) Licence fee for EPABX will be as prescribed in DOT rules.

(vi) The franchisee will also pay the licence fee for any underground cable laid across the road.

(vii) Installation charges will be Rs. 800/- for exchange systems of 500 lines and above and Rs. 300/- for below 500 lines.

(viii) Calls charges will be Rs. 1.10 per call unit.

(ix) Franchisee are not entitled for any free calls against bi-monthly rental.

(x) Security deposit will be Rs. 5,000 for each outgoing junction (non-interest bearing) or twice the average monthly bill averaged over previous 6 months, whichever is higher Bank Guarantee for an equivalent amount of cash deposits for the security for the security deposit is also acceptable.

In Delhi there were 58 franchisee (upto 29.4.1999) having extension capacity of 18,5000, out of this M/s. Magna India is a franchisee for 10 EPABX having extension capacity of 4700 lines. In case of Mumbai, there are 16 franchisees having extension capacity of 8300 lines.

Recommendation (Para No. 220)

The Committee also notes with concern that bankruptcy of 'Iridium' will adversely affect VSNL. VSNL has spent Rs. 50 crore approximately in setting up of a gateway at Pune for its services in India. The loss has been quantified in the form of annual fees for O&M services at around Rs. 1.95 crore and loss of traffic revenue besides reimbursement of certain ancillary services. Even though this is purely a business loss, the Committee desires the infrastructure created be put to alternate use at an early date.

Reply of the Government

VSNL has already constituted an internal committee of experts to assess the possibilities of alternate use of various types of equipments installed at the Iridium gateway at Pune. Based upon the Committee's findings, further necessary action would be initiated.

Comments of the Committee

(Please *see* para No. 30 of Chapter I)

Recommendation (Para No. 238)

What strikes to the Committee is that it is a case of DTS which has technical expertise, being asked to implement a decision taken by the National Task Force which has selected the proposed partner, the technology, the price payable therefore and also the special set up of the proposed Joint Venture. It appears that CMU proposed to set up IUNet and it appears that a Memorandum was entered into with the proposed set up namely. IU-Net before its actual formation.

Reply of the Government

Carnegie Mellon had the name 'IUNet Inc.' reserved with it from the Pennsylvania Department of State on 27th August '98 and the name reservation continued on the date of signing of MOU. The Articles of Incorporation were signed on January 6, 1999 and filed on January 8, 1999. As per corporate custom in USA, a corporation, once its name is reserved, starts business under that name for negotiation and developing business even before the Articles of Incorporation are signed and filed with Department of State. Dr. Reddy signed the MOU, both as the Chairman of the company whose name was reserved, and as the Dean of School of Computer Science, CMU.

CHAPTER IV

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

Recommendation (Para No. 13)

The Telecom Policy 1994 had aimed at providing telephones on demand and also covering all the villages in the country with at least one Village Public Telephone by 1997. Subsequently target date was postponed to 2000 AD and again to 2002 AD. As the Policy had not been properly implemented the Government announced New Telecom Policy, 1999 substantially modifying the provisions and targets of the earlier Policy, aiming at exponential growth in supply of telephones every five years and diluting the rigorous of licensing agreements for private service providers. Some of the more important objective of the New Telecom Policy 1999, have been to provide universal service to all uncovered areas including Rural Areas, to achieve a tele-density of 7 percent by 2005 and 15 percent by 2010, to cover all villages by 2002 etc. With a view in mind and in order to encourage the Private Sector involvement, the Department has taken certain measures like change over from licence fee regime to revenue sharing, optimal utilization of spectrum etc. The Committee apprehends that even with these measures, the Department would not be able to get involvement of the Private Sector in its mission as would be seen from the fact that there has been absolutely no progress whatsoever in the fulfillment of their initial obligation of providing 20 lakh telephone connections and 98000 VPTs within three years of their operation which would come to an end on September, 2000 for five operators and in March 2001 for the sixth operator. To make matters worse, the Department has not prescribed any specific time frame to the Private Service Providers for accomplishing their task on the plea that there has been a shift from duo-poly to multi-poly in the NTP 1999 and new licenses are expected to be given after TRAI's recommendations. Taking into consideration the past record of the Private Operators, and also the fact that their participation is confide to only some lucrative Circles, the Committee wonders how the Department would be able to meet the aforesaid minimum objectives of NTP 99. The Committee, therefore, urges the Department to undertake an in depth study to mobilize and intensify its preparedness, the likely failure to fulfill the targets. The Department should take steps to compel the Private Operators to meet the objectives enunciated in the NTP 1999.

Reply of the Government

Targets aimed at providing telephones on demand covering all villages in the country with at least one VPT (Village Public Telephone) by 1997 as envisaged in NTP '94 could not be met due to several reasons including availability of appropriate technology.

To supplement Government's efforts through DoT/DTS, Government invited private operator for basic, mobile, radio paging, VSAT and internet services etc. But the result of privatisation has so far not been satisfactory, probably due to the fact that actual revenue realised by them have been far short of their projections. As a result, some of the objectives of NTP have remained unfulfilled.

Keeping in view the fast development in telecom sector, convergence of different technologies and fixing of some more targets like Universal Access etc., the New Telecom Policy 1999 has been framed. As a part of the on going process of liberalization, and with a view to encourage the participation of private operators in telecom sector, the shifting to revenue share regime from fixed license fee regime has been incorporated in the NTP'99.

Resources for meeting universal service obligations would be raised through universal access levy for which reference was made to TRAI on 19.5.99 seeking their recommendations on the funding of USO through universal access levy. Meanwhile, TRAI requested for more elaborate data. In turn, the available data has been sent to TRAI on 10.2.2000 and subsequently on 15.3.2000. TRAI has confirmed this information and has asked for more data on VPT relating to technology, average cost and revenue per DEL for tribal and non-tribal areas. The information is being collected and will be sent to TRAI.

Comments of the Committee

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

Recommendation (Para Nos. 14 and 15)

The DoT has so far penalised six Private Operators' by cancelling their licenses also imposed Rs. 78.81 crore as liquidated damages upon them. The Department has further written to Private Operators after they migrated to the revenue sharing regime, asking to complete their obligations and on the basis of that the Department is expecting a roll out plan from them for the coming year. The Committee is of the view that the Department is lackadaisical in enforcing the obligations of the private operators and is perceived to be too accommodative inspite of several concessions and facilities provided to them. The Committee is of the definite opinion that the Department should hold the Private operators accountable and should see that they are made to fulfill their commitments and the Private Operators should not be only allowed to obtain privilege and alterations of terms and conditions in their favour while the national interest of wider telephone coverage remains unfulfilled as contemplated by NTP-1994 or NTP-1999. The Department should not hesitate to exercise its authority as the licensor to take suitable measures to force the Private Operators to meet the terms and conditions of the license.

In this context, the Committee cannot but refer to the special privileges given to the Private Operators to migrate to revenue sharing arrangements from the obligation to pay fixed license fees. The Committee is not aware as to what were the considerations, which persuaded the Department to agree to such change over, and how the national interest has been sub served by such migration, specially, when even now there is hardly any implementation by the Private Operators. The Committee has not been informed of any study even being made by the Department on its own, justifying the decision taken by the Government to permit migration to revenue sharing arrangement. The Department has repeatedly stated before the Committee that the Department would be in a position to provide adequate telephone facilities if the Private Operators did not achieve their target in terms of the agreements already entered into and in terms of the license. But it appears that neither any study was made by the Department, not any effort was made by it to fulfill its obligations of providing service as contemplated by NTP. In the absence of any fixed time table specified to the Private Operators even after, they have been allowed to migrate. It appears that neither a proper study was made nor the implications of the migration were properly considered. In the process, in spite of special consideration provided to Private Operators the positions remains as before and the Department is still trying to fix up the respective obligations of the different private service providers. The Committee is of the view that this requires proper enquiry by the Competent authority to ascertain whether national interest has been in fact protected in the events that have happened.

Reply of the Government

Migration to the New License regime of Revenue sharing as a package has been accepted by the Licensees of Cellular Mobile & Fixed service providers. The date 31.1.2000 was fixed as a milestone for the payment of all outstanding amounts. In term of migration package, this date was extended by cabinet to 15.3.2000, but with the imposition of additional penalties. In respect of M/s. Modicom (new name M/s. Spice Communications Ltd.), who could not adhere to this extended deadline, (*i.e.* 15.3.2000), a further extension upto 15.4.2000 was granted with further additional penalties and M/s. Modicom have now paid all outstanding dues with additional penalties. The migration policy was, in the meanwhile, challenged through a civil writ petition (PIL) in Delhi High Court and the matter is still sub-judice and next hearing is on 26.7.2000.

Migration package for shifting to NTP '99 regime was offered to all existing licensees of Radio Paging Service Providers (RPSPs) on similar pattern as was offered to the FSPs & CMSPs, except the notional shift of 6 months in the effective date. Most of the city Radio Paging operators did not accept the migration package. Due to this the package could not be implemented for any of the city as in none of the city, all operators licenced for the city accepted the migration package. This was one of the condition in the migration package. In case of Circle Radio Paging operator, the migration package was to be implemented for three operators in nine circles for 12 licences. However, these operators did not pay the outstanding dues etc. as per the package.

Comments of the Committee

(Please *see* para No. 11 of Chapter I)

Recommendation (Para No. 31)

The Committee notes that in terms of New Telecom Policy, 1999 and subsequent Government approval on March 26, 1999, a Package for Migration from fixed license fee to revenue sharing was offered on July 22, 1999 to the existing cellular and basic service providers, to be effective from August 1, 1999, which has been accepted by all but one of them. This change over from one regime to another was effected as the Private Operators were not implementing their projects on the ground that they were not viable under the licence fee system. The

Committee notes that two studies were made, one by Industrial Credit and Investment Corporation of India Ltd. (ICICI) and the other by Bureau of Industrial Costs and Prices (BICP), to examine the financial viability of the operators under the revenue sharing system and based on their Reports, the Department ushered in the new regime. The Committee, however, finds that this switch over has cost the exchequer more than Rs. 2,000 crores and unduly favoured the Private Operators. Under the new regime the Private Operators will not have any fixed liability towards license fee and the payment will be made to the Department as and when those operators earn revenue. In fact there will not be any compulsion on them for early commencement of obligatory services.

Reply of the Government

There is sufficient motivation under the New Telecom Policy of revenue sharing system to expand and provide better quality of cost effective service to the customers in order to earn profit in the ensuring highly competitive environment. The basic need of any business enterprise is to earn a certain minimum profit. Nobody will be allowed to hold the license without actually commissioning the service. Recommendation of TRAI has been sought on revenue sharing percentage and other terms and conditions of the licences for private basic and cellular service providers. Suitable provisions shall be made in the new licenses by way of severe penalty etc. for delayed start of obligatory services giving due consideration to TRAI's recommendation in this regard. So far the existing licensees are concerned, all the cellular licensees (except one M/s. Hexacom India Limited in North East Circle) have started the commercial service and are paying licence fee as revenue share. M/s. Hexacom has not started the service so far in the North East Circle. A decision was taken in the Telecom Commission not to impose penalty of LD Charges for delay in delivery of service in certain areas (viz., J&K, Assam and North East) due to special circumstances prevailing in these areas. Out of six existing Basic Service Licensees four have commissioned the service; 180 days notice for termination of licenses under the licence agreement for not having commissioned the service has been issued to rest of them on 17.4.2000.

Comments of the Committee

(Please *see* Para No. 15 of Chapter I)

Recommendation (Para No. 35)

The Committee is surprised to note that the Department has collected Rs. 200 crore in advance as per the assessment of the Private Operators with regard to their gross revenue for the first eight months *i.e.* from 1 August, 1999 to 31st March, 2000. It is really unbelievable that without setting up any system network, they can part with Rs. 200 crore in just anticipation of their gross revenue for the first eight months. The Committee would, therefore, like to caution the Department that allowing the Private Operators on the drivers seat would lead to further loss of legitimate Government dues in the long run.

Reply of the Government

Cellular Service has been commissioned in respect of all existing Cellular licenses (except one in North East Circle by M/s. Hexacom India Limited) out of 38 existing licensees. (The service is not operational as at present in respect of four terminated cellular licences— three of M/s. Koshika from Bihar, Orissa and UP-West Circles and one of M/s. J.T. Mobiles for Punjab Circle). In case of Basic Service also, service has commenced in respect of 4 licences out of 6 licenses; 180 days notice for termination of licenses under the licence agreement for not having commissioned the service has been issued to rest of them. The operators have paid revenue share on the basis of their own estimates in advance on quarterly basis.

Comments of the Committee

(Please *see* para No. 15 of Chapter I)

Recommendation (Para No. 51)

The Committee notes that in order to remove certain ambiguities and confusion, as visualized by the Department the TRAI Act 1997 was amended early this year (2000 AD). The TRAI has been bifurcated and the judicial functions of the Authority have been vested in the Telecom Dispute Settlement and Appellate Tribunal (TDSAT). The pace at which it was carried out raises many eyebrows in the light of the fact that till now the TDSAT has not been constituted, the part time members of newly constituted TRAI have not yet joined and even the Chairman was abroad and joined almost 2 months after promulgation of the Ordinance. Therefore, Departments' view that the TRAI was re-constituted in a hurry to strengthen the entire system defies logic in the light of the above mentioned fact. The Committee wonders how in the absence of the TDSAT, the licensor-licensee dispute, if any arises immediately, would be solved. The Committee is of the opinion that taking recourse to the Ordinance in this case has not been justified by the subsequent events. In the circumstance, the Committee didn't have any opportunity to give its views on the TRAI Amendment Bill 2000 before the Act was passed. As such the Committee will give its comments on the new TRAI Act, 2000 at an appropriate occasion.

Reply of the Government

The TRAI Act, 1997 was amended through an Ordinance promulgated on 24th January, 2000. The amendments were brought about to remove certain difficulties that had arisen. The desired objectives of bringing about functional clarity, strengthening the regulatory framework and the disputes settlement mechanism have been attained by the bringing about of a clear distinction between the recommendatory functions of TRAI and its regulatory functions, by entrusting additional functions to TRAI, by making it mandatory for Government to seek recommendations of TRAI in respect of specified matters, by the setting up of a separate disputes settlement mechanism, etc. These amendments had been widely welcomed by TRAI and the various Industrial Chambers and Associations like CII; FICCI, Cellular Operators Association of India, Association of Basic Telecom Operators etc., who had seen it as a positive move removing many of the contradictions that had existed in the TRAI Act.

The amendments to the TRAI Act *inter-alia* provided that till the constitution of the Telecom Disputes Settlement and Appellate Tribunal (TDSAT), TRAI would continue to adjudicate all disputes which were being adjudicated by it prior to the amendments. Similarly, the High Courts have also been continuing to deal with all cases pending before them.

Though there were some procedural delays in reconstituting TRAI as per the amended provisions, TRAI has been fully functional since March 2000. While the selection of Members of the TDSAT is expected to be finalised shortly, the appointment of the Chairperson of TDSAT has been notified on 29th May, 2000. The constitution of TDSAT has also been notified on 29th May, 2000.

Comments of the Committee

(Please *see* para No. 18 of Chapter I)

Recommendation (Para No. 67)

The Committee notes that for an old loan of Rs. 13.5 crore which has become Rs. 21 crore with interest as on 31 March, 1999, ITI has pleaded for writing off the loan but the Ministry of Finance has unfortunately turned down the proposal of the Company. In this regard the Committee would like the Department to take up the case with urgency so that at least a moratorium can be declared to prevent accruing of further interest on the principal amount.

Reply of the Government

Now since ITI has turned around and is making profit year after year, therefore, it should be possible for the Company to repay Government loan as the Government has declined to write off the outstanding loan.

Comments of the Committee

(Please *see* Para No. 21 of Chapter I)

Recommendation (Para No. 92)

The Committee is surprised to note that a provision of Rs. 94,26,00,000 has been made in the BE (2000-2001) for a joint venture project called 'Sankhya Vahini' which has not yet taken shape nor have legal requirements been met, Department's plea that the Project has taken certain shape which has necessitated the preparedness with the Budgetary provision, is not convincing in the sense that while budgetary provisions for important schemes like VPTs etc. are invariably left to be reviewed at a later stage, here is a Project for which Rs. 94 crore and odd has already been earmarked just in anticipation. The Committee is well aware of the fact that the schemes of the Department generally do not suffer due to fund constraints but for some other reasons. That does not necessarily mean that the Department should overlook its priorities and obligations while projecting the Budget Estimates.

Reply of the Government

The Sankhya Vahini Project was conceived in IT Task Force meeting in September, 1998 wherein DOT (now DTS) was made the nodal agency to work along with IU-Net Inc., USA to establish a high speed data Network in India. Accordingly DOT entered into a M.O.U. with IU-Net Inc. of USA. Thereafter normal procedures as required for approval of such projects were followed.

The provision of Rs. 94.26 crores was made in the BE for the year 2000-2001 to meet the expenditure from DOT side in this project, as is the normal practice for all the DOT projects. This amount was sought on a provisional basis in BE, which will be reviewed at the time of RE.

Comments of the Committee

(Please *see* para No. 36 of Chapter I)

Recommendation (Para No. 219)

The Committee is concerned to note that VSNL's estimated loss of revenue during the next year will be around Rs. 70 crore with regard to Internet Leased Lines and Rs. 246.5 crore on Private Leased Lines due to the permission to 8 Private Operators to set up telecom gateway in India. This estimated loss is based upon the assumption of 100 per cent growth in Internet Services and a loss in market share of 50 per cent to the Private Internet Service Providers (ISP). It is disturbing to note that the projects of Private Internet Service Providers who have been licensed to set up their own gateways may not be financially viable if these gateways are used for data traffic only. Therefore, there is every possibility of these gateways being used for carrying voice traffic. The Committee is at a loss to understand how the Government has sanctioned unviable projects to the private sector who would eventually be non-starter like private basic telecom service providers or would carry voice traffic illegally at the cost of Videsh Sanchar Nigam Ltd. Prudence requires that all these aspects should be considered and views of Videsh Sanchar Nigam ascertained before finally deciding the matter. In case Private Internet Service Providers are allowed to set up gateways, interest of Videsh Sanchar Nigam Ltd. should be properly safeguarded against illegal overstepping into its domain of voice traffic by incorporating suitable provisions in licensing conditions.

Reply of the Government

The Government does not get involved with the viability of private sector projects. Telephony on internet is not permitted as per the terms and conditions of the ISP licence. The licence will be liable for termination for any violation of this clause.

Comments of the Committee

(Please *see* para No. 27 of Chapter I)

Recommendation (Para No. 234)

The Committee is concerned to note that the Department of Telecom Services has decided to enter into a Joint Venture project with IU-Net—a fully owned subsidiary and Carnegie Mellon University (CMU), Pittsberg, USA to set up 'Sankhya Vahini' without undertaking any study about the technology available with the Company and its competitors. Merely on the recommendations of the Task Force on Information Technology the project having millions of capital investment has been taken up and a provision of Rs. 94.26 crore has been made in the Budget Estimates for the year as an initial investment. The prescribed procedure for entering into a Joint Venture has not been adhered to in this case.

Reply of the Government

The Sankhya Vahini project was conceived in IT Task Force meeting on September 5, 1998 wherein Department of Telecommunications, (now DTS) was made a nodal agency to work along with IU-Net to establish a high-speed data network in India. Thereafter, normal procedures as prescribed for approval of such projects were followed. Further, the Joint Venture Agreement has not been signed so far.

It is correct that a provision of Rs. 94.26 crores has been made in the Budget Estimates for the year 2000-2001 as initial investment.

Comments of the Committee

(Please *see* para No. 36 of Chapter I)

Recommendation (Para No. 235)

A lot of apprehensions have been expressed in certain quarters about an investment of about Rs. 1300 crore without going through the required formalities. It is also feared that the project would open floodgates for espionage, interception of scientific data, telephonic conversations, Faxes and E-Mail. The Committee is deeply concerned about it. Since there are other competitors elsewhere with the similar technology, the Committee would like the Department to make an in-depth study before taking concrete step, to give shape to the Joint Venture and also redress the apprehensions being expressed publicly.

Reply of the Government

SVIL will implement a data network and not a voice network. On security/monitoring related issues, the Company will follow the prevailing regulations and terms and conditions as laid down in the Internet Service Provider (ISP) licensing agreement between the Licensing Authority (for ISPs) and ISPs in India, and any other orders issued by the Government of India from time to time. The company shall not use its network for voice telephony unless permitted by the Government. In so far as data traffic is concerned, the Government has already taken a policy decision to allow ISPs to set up their own gateways subject to security regulations and monitoring requirements of the Government. Whatever rules in this behalf are made, will be binding on the JV Company as well.

Government has already approved the proposal and accordingly DTS is proceeding further to complete the formalities for signing of Joint Venture Agreement.

Comments of the Committee

(Please *see* para No. 36 of Chapter I)

Recommendation (Para No. 236)

The Committee would also like to be apprised how without any initial study a project costing Rs. 1300 crore has been taken up. There are many other provisions in the MoU which gives rise to suspicion and apprehensions. A part of the project's consideration to be paid by foreign collaborator, *i.e.*, IU-Net is in the shape of equipment which as per MoU are to be scrutinized and surveyed by a recognized International Valuers recommended by the President of IU-Net and agreed to by Telecom Commission. Such provisions require a close scrutiny.

Reply of the Government

As already stated, the Sankhya Vahini project was conceived in IT Task Force meeting on September 5, 1998 wherein Department of Telecommunications, (now DTS) was made a nodal agency to work along with IU-Net to establish a high-speed data network in India.

The issue of contribution to equity by IU-Net by way of equipment and its evaluation by recognized international valuers, is mentioned in the draft Joint Venture Agreement and not in the MoU, as stated in the report. To ensure transparency, draft Joint Venture Agreement stipulates that these equipments shall be procured by IU-Net at the most competitive prices following the usual transparent procedures so as to provide maximum possible benefit to the Joint Venture Company.

Comments of the Committee

(Please *see* para No. 36 of Chapter I)

Recommendation (Para No. 237)

The Committee, therefore, notes that the proposed Joint Venture partner namely IU-Net will not be investing any amount in cash and the sale price of its products to be purchased by the proposed Joint Venture will represent its equity. Thus without actually investing in cash IU-Net becomes the major shareholder owning 49 per cent share. The first Chairman of the proposed Company would be a nominee of IU-Net to be selected in consultation with DTS, will hold the post for three (3) years with possibility of extension for further two (2) years with concurrence of DTS. IU-Net and DTS will have equal number of Directors in the proposed Board and the Managing Director of the proposed Company will be selected by the Board.

Reply of the Government

Payment for the subscription of shares by IU-Net shall be set off and adjusted against the purchase consideration to be paid by the Company to IU-Net for sale and transfer of the equipment to be supplied by IU-Net to the Company. In the event of the subscription amount for the initial Shares to be paid by IU-Net being more than the price of the equipment to be sold by IU-Net to the Company, IU-Net shall have an option to bring in additional equipment if needed and requested by the Company at the time of issuance of Shares and adjust the Shares subscription amount against the price of the additional equipment, or make payment in cash for the unadjusted subscription amount. Any adjustment in the form of fibre/equipment after a period of 18 months from the date of incorporation of the Company shall be subject to the approval of the SVIL Board.

The statement regarding first Chairman of SVIL as made in the report is as proposed in the draft JV agreement. The Managing Director will be selected by a specially constituted search committee appointed by the SVIL Board, which will be authorized to seek professional consultancy in the selection.

Comments of the Committee

(Please *see* para No. 36 of Chapter I)

Recommendation (Para No. 239)

It is not known to the Committee what expertise the National Task Force had in selecting one of the many similar technologies and on what basis a particular Joint Venture partner was selected when admittedly similar technologies are available. There is no material whatsoever to indicate that any assessment was made of the suitability of the different similar technologies in Indian conditions and about the choice of partner. It is obvious that it is not known to DTS about the consideration that weighed with the National Task Force. Thus, it appears that a technology was selected amongst many similar technologies and a particular concern was chosen to be a partner without any evaluation of the merits of the one of the similar technologies and of also other possible partners. How the cost of the equipments was decided upon in the absence of any tender of quotations from similar technology suppliers need to be clarified.

Reply of the Government

It was reported by the Chairman of the National Task Force on Information Technology and Software Development, that the Sankhya Vahini Project was conceived after broad based consultations and discussions with officials, academicians, scientists, technologists and wide cross section of administrators in Government at the levels of Secretaries to Government. It was also decided in one of the meetings of the Task Force to launch this as a Technology Mission of the Task Force. Further, Department of Telecom was made a nodal agency to work along with IU-Net to establish High Speed Data Network in India. Thereafter, normal procedures as prescribed for approval of such projects were followed.

The choice of Technology has been made keeping in view international technology trends and socio-economic needs of India. In fibre-constrained situations DWDM technology will be deployed in high traffic sectors. At the same time, the present lack of pervasive computing power and Internet connectivity across the country may not justify the use of DWDM nationwide. To prevent the risk of over capitalization without compromising on the provision of high bandwith connectivity, it is proposed that DWDM be deployed only over a part of the network (say 50%). The SVIL Board would determine further deployment, thereby taking advantage of the trend of falling prices for new technology over time.

The budgetary cost estimates are based on enquiries made by IU-Net with equipment vendors. The detailed Project Estimates have been submitted to the Telecom Commission.

Comments of the Committee

(Please *see* para No. 36 of Chapter I)

Recommendation (Para No. 240)

Since as reported to the Committee no Joint Venture has yet been entered into up till now, the Committee strongly recommends that the matter should be looked into in-depth and fullest disclosure should be made as to why a particular technology has been selected without following the usual procedure and why DTS was kept out of the process of evaluation. The Committee strongly recommends a full review of the matter before the Joint Venture Agreement is finally entered into.

Reply of the Government

As stated earlier also, Government has already approved the proposal and accordingly, DTS is proceeding further. Having duly considered the recommendations of the Standing Committee, Government has no intention, so far, to review the Project.

Comments of the Committee

(Please *see* para No. 36 of Chapter I)

CHAPTER V

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

Recommendation (Para No. 32)

It is significant and also surprising to note that the Department wishes to fix the percentage sharing of the revenue on the basis of a 'sensitive' analysis whether the Private Operators would be comfortably placed upon certain percentage of revenue being made payable to the Department and that further license fee will be determined on the basis of the revenue earned by the licensee. It appears that the Department has not made nor will make any assessment or study of its own to determine the rates of profit-sharing as also of license fee but will do so only on the basis of the Private Operators feeling comfortable and the amount they earn. The Committee notes with concern that the essential Governmental function in a most vital sector of national economy has been dependent on the feelings and performance of the Private Operators and not on any assessment of what they should be required to share or pay. The Committee is surprised that in these essential matters a totally *ad-hoc* approach has been adopted and the Department as it were is only concerned to see that the Private Operators feel comfortable and make whatever profits they can irrespective of their performance and not on what national interest demands. The Committee feels that the Department owes an explanation as to why the Department should only look after making the private sector viable and should not discharge its function in providing requisite facilities to the people either through themselves or through Private Operators by making them accountable under enforceable terms and conditions.

Reply of the Government

The Government will take a final decision about the quantum of the revenue share to be charged as licence fee after obtaining recommendations of the Telecom Regulatory Authority of India (TRAI); the same has been sought and since awaited. In the meanwhile, Government have decided to fix 15% of the gross revenue of the licensee as provisional license fee. On receipt of TRAI's recommendation and Government's final decision, final adjustment of provisional dues will be effected depending upon the percentage of revenue share, as may be finally decided.

Recommendation (Para No. 175)

The Committee would also like to be apprised of the particulars of telephone subscribers having Rs. 1 crore or above as outstanding arrears as on January 2000, the reasons for such accumulations, and the steps taken to recover the amount.

Reply of the Government

There is just one case (as on January 2000) in the DoT & MTNL of subscribers having over Rs. 1 crore outstanding against them (Details in *Annexure B*). The case has been taken up by the West Bengal Telecom Circle with the CBI at Calcutta. The CBI has registered a regular case bearing No. RC-10(A)/99-Cal against one departmental officer, some staff and the subscriber, Shri Biswajit Ray and his landlord, Shri Biswajit Kundu, under section 120B 410 of IPC & Section 20(L) of Indian Telegraph Act 1885. The same is still under investigation by CBI.

NEW DELHI; SOMNATH CHATTERJEE,
16 *March*, 2001 *Chairman*,
25 *Phalguna*, 1922 *(Saka)* *Standing Committee on Information Technology.*

ANNEXURE

Para 175

Statement showing the details of telephone subscribers with outstanding Rs. one crore and above as on 31.1.2000

Name of Circle	Telephone No.	Name of Subscriber	Outstanding Amount		Date of DNP
			Bill date	Amount in Rs.	
West Bengal	RGH-58606	Shri Biswajit Roy	21.4.98	40,46,280.00	STD/ISD withdrawn on 4.5.98 and finally disconnected on 9.8.98
			11.6.98	25,63,108.00	
	RGH-58611	—do—	21.4.98	32,58,019.00	
			11.6.98	23,09,442.00	
			Total	1,21,76,849.00	

All other circles have clarified that they have no cases dues worth Rs. 1 crore (or more) outstanding against subscribers.

APPENDIX I

MINUTES OF THE FIFTEENTH SITTING OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2001)

The Committee sat on Thursday, March 15, 2001 from 1500 hours to 1730 hours in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Somnath Chatterjee — *Chairman*

MEMBERS

Lok Sabha

2. Shri Pawan Kumar Bansal
3. Shri Nikhil Kumar Chaudhary
4. Adv. Uttamrao Dhikale
5. Shri Bhartruhari Mahtab
6. Shri Simranjit Singh Mann
7. Shri Sheeshram Singh Ravi
8. Shri K.A. Sangtam
9. Shrimati D.M. Vijaya Kumari

Rajya Sabha

10. Shri Balkavi Bairagi
11. Shri Narendra Mohan
12. Shri Kartar Singh Duggal
13. Shri R.N. Arya
14. Shri K. Rama Mohana Rao
15. Shrimati Kum Kum Rai

SECRETARIAT

1. Shri P.D.T. Achary — *Joint Secretary*
2. Shri S.K. Sharma — *Deputy Secretary*
3. Shri A.S. Chera — *Under Secretary*

Representatives of the Ministry of Information and Broadcasting

1. Shri Pawan Chopra — Secretary (I&B)
2. Shri Anil Baijal — Addl. Secretary and CEO, Prasar Bharati
3. Smt. Aruna Makhan — Addl. Secretary & Financial Adviser (I&B)
4. Shri Sudhir Sharma — Joint Secretary (P&A)
5. Shri Rakesh Mohan — Joint Secretary (B), (I&B)
6. Shri Sudhir Bhandari — Chief Controller of Accounts
7. Smt. Mona Sharma — Director (PP&A)
8. Ms. Esther Kar — Director (IP)
9. Shri S.C. Tewary — Director (BP & L)
10. Shri R.C. Mishra — Executive Director (SP) DDN
11. Shri B.K. De — E-in-Chief (DDN)
12. Shri K.M. Paul — E-in-Chief
13. Shri T.R. Malakar — DDG: DDN
14. Smt. N.J. Krishna — PIO
15. Shri Vivekanand Ray — PR, RNI
16. Shri Sahab Singh — DG, DAVP
17. Smt. Surinder Kaur — Dir. Publications Division
18. Shri Prem Matiani — Dr. S&DD
19. Shri O.P. Jora — Dir. Photo Division
20. Smt. Malati Sahai — Dr. DFF
21. Shri Suresh Chopra — Dr. DFP

Representatives of the Ministry of Information Technology

1. Shri Vinay Kohli	—	Secretary
2. Shri S. Lakshminarayan	—	Joint Secretary
3. Mrs. P.M. Singh	—	Joint Secretary
4. Shri Gautam Soni	—	Advisor
5. Dr. U.P. Phadke	—	Advisor
6. Dr. Krishan Kant	—	Sr. Director
7. Dr. Om Vikas	—	Sr. Director
8. Shri S. Basu	—	Sr. Director
9. Shri W.R. Deshpande	—	Sr. Director
10. Shri Gulshan Rai	—	Sr. Director
11. Shri R.C. Sachdeva	—	Director
12. Shri Rajiv Rastogi	—	Director

2. At the outset, the Committee took up for consideration the Draft Nineteenth Report on "Action Taken by Government on the Recommendations/Observations of the Committee contained in its Tenth Report (Thirteenth Lok Sabha) on Demands for Grants (2000-2001) pertaining to the Department of Telecommunications (DoT) and adopted the same with some modifications as shown in the Annexure.

3. *** *** *** ***

4. *** *** *** ***

5. *** *** *** ***

6. *** *** *** ***

7. *** *** *** ***

8. *** *** *** ***

9. *** *** *** ***

The Committee, then, adjourned.

AMENDMENTS/MODIFICATIONS MADE BY THE COMMITTEE IN THE DRAFT NINETEENTH REPORT

Page No.	Para No.	Line No.	Amendments Made
10	23	*Add* at the end:	"It has further been stated that the alleged misuse is mainly with regard to extending the EPABX lines beyond the permitted 500 meters range and uses of telephone cards. Final report is said to be expected within a short time. It is further stated that MTNL has already taken a decision to provide EPABX for its customers as was being done before".
10	24	1	*Add* after "The Committee": "is distressed that in spite of its recommendation, it has not been informed of the misuse of EPABX facilities and of the action taken against those who may have connived in the misuse. Since the enquiry report would have come by this time, it".

APPENDIX II

(*Vide* Para No. 5 Introduction of the Report]

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE TENTH REPORT (THIRTEENTH LOK SABHA) OF THE COMMITTEE

I. Total number of Recommendations/Observations 63

II. Recommendations/Observations which have been accepted by the Government:

Para Nos: 45, 64, 74, 75, 88, 90, 91, 93, 111, 112, 113, 114, 121, 122, 123, 128, 138, 139, 140, 149, 150, 151, 159, 160, 168, 182, 183, 194, 195, 209 and 221.

Total : 31

Percentage : 49.2

III. Recommendations/Observations which the Committee does not desire to pursue in view of the reply of the Government:

Para Nos; 33, 34, 65, 66, 68, 76, 89, 110, 152, 174, 210, 211, 212, 220 and 238

Total : 15

Percentage: 23.8

IV. Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Para Nos: 13, 14, 15, 31, 35, 51, 67, 92, 219, 234, 235, 236, 237, 239 and 240

Total : 15

Percentage : 23.8

V. Recommendations/Observations in respect of which replies of the Government are interim in nature:

Para Nos. 32 and 175

Total : 02

Percentage : 3.1