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STANDING COMMITTEE ON
INFORMATION TECHNOLOGY
(2015-16)

SIXTEENTH LOK SABHA

MINISTRY OF COMMUNICATIONS & INFORMATION TECHNOLOGY
(DEPARTMENT OF TELECOMMUNICATIONS)

DEMANDS FOR GRANTS
(2016-17)

TWENTY-FOURTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

May, 2016/Vaisakha, 1938 (Saka)

TWENTY FOURTH REPORT

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INFORMATION TECHNOLOGY
(2015-16)**

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(DEPARTMENT OF TELECOMMUNICATIONS)**

DEMANDS FOR GRANTS

(2016-17)

Presented to Lok Sabha on 03.05.2016

Laid in Rajya Sabha on 03.05.2016

**LOK SABHA SECRETARIAT
NEW DELHI**

May, 2016/Vaisakha, 1938 (Saka)

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*Not appended to the cyclostyled copy of the Report.

COMPOSITION OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2015-16)

Shri Anurag Singh Thakur   -   Chairperson

Lok Sabha

2.   Shri L.K. Advani
3.   Shri Prasun Banerjee
4.   Dr. Sunil Baliram Gaikwad
5.   Shri Hemant Tukaram Godse
6.   Dr. Anupam Hazra
7.   Dr. J. Jayavardhan
8.   Shri P. Karunakaran
9.   Shri Virender Kashyap
10. Shri Harinder Singh Khalsa
11. Smt. Hema Malini
12. Shri Keshav Prasad Maurya
13. Ms. Mehbooba Mufti
14. Dr. K.C. Patel
15. Shri Raosaheb Danve Patil
16. Shri Paresh Rawal
17. Dr. (Smt.) Bhartiben Dhirubhai Shiyal
18. Shri Abhishek Singh
19. Shri D.K. Suresh
20. Shri Ramdas C. Tadas
21.   Smt. R. Vanaroja

Rajya Sabha

22. Shri Salim Ansari
23. Smt. Jaya Bachchan
24. Shri Vijay Jawaharlal Darda
25. Shri Meghraj Jain
26. Shri Santiuse Kujur
27. Shri Derek O'Brien
28. Dr. K.V.P. Ramachandra Rao
29. Shri Sachin Ramesh Tendulkar
30. Mahant Shambhuprasadji Tundiya
*31. **VACANT**

SECRETARIAT

1.	Shri K. Vijayakrishnan	-	Additional Secretary
2.	Shri J.M. Baisakh	-	Director
3.	Dr. Sagarika Dash	-	Deputy Secretary
4.	Shri Shangreiso Zimik	-	Under Secretary

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* Shri Javed Akhtar, M.P. Rajya Sabha retired on 21.03.2016 from Rajya Sabha.

ABBREVIATIONS

BBNL: Bharat Broadband Network Limited
BSNL: Bharat Sanchar Nigam Limited
Capex: Capital Expenditure
CPSU: Central Public Sector Undertaking
DS: Defence Services
DSLAM: Digital Subscriber Line Access Multiplexer
FTTH: Fibre to the Home
GP: Gram Panchayat
GSM: Global System for Mobile communications
ICT: Information Communication Technology
IMS: Information Management System
ITI: Indian Telephone Industries Limited
LWE: Left Wing Extremism
MTNL: Mahanagar Telephone Nigam Limited
NGN: Next Generation Network
NICF: National Institute of Communications and Finance
NOFN: National Optical Fiber Network
OFC: Optical Fiber Cable
Opex: Operational Expenditure
USOF: Universal Service Obligation Fund
WLL: Wireless Local Loop
WMO: Wireless Monitoring Organisation

INTRODUCTION

I, the Chairperson, Standing Committee on Information Technology (2015-16), having been authorized by the Committee to submit the Report on their behalf, present this Twenty-fourth Report on Demands for Grants (2016-17) of the Ministry of Communications and Information Technology (Department of Telecommunications).

2.   The Standing Committee on Information Technology (2015-16) was constituted on 1st September, 2015. One of the functions of the Standing Committee, as laid down in Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, is to consider the Demands for Grants of the Ministry/Department concerned and to make a Report on the same to the House.

3.   The Committee considered the Demands for Grants pertaining to the Ministry of Communications and Information Technology (Department of Telecommunications) for the year 2016-17 which were laid on the Table of the House on 16th March, 2016. The Committee took evidence of the representatives of the Department of Telecommunications on 7th April, 2016*.

4.   The Report was considered and adopted by the Committee at their sitting held on 2nd May, 2016.

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

 6.   The Committee would also like to place on record their appreciation of the assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

7.   For facility of reference and convenience, Observations/Recommendations of the Committee have been printed in bold letters in Part-II of the Report.

ANURAG SINGH THAKUR
New Delhi   **Chairperson**
02 May, 2016   **Standing Committee on**
12 Vaisakha, 1938 (Saka)   **Information Technology**

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*Minutes not appended to the cyclostyled copy of the Report.

Report

Part-I

I.   Introductory

The Communication Sector has assumed the position of an essential infrastructure for socio-economic development of a country in an increasingly knowledge- intensive world. That being so, the reach of telecom services to all parts of the country has become integral to an innovative and technologically- driven society. Studies have shown a positive correlation between Internet and Mobile Services on the growth of GDP of a country. As a result of sustainable measures taken by the Government over the years, the Indian Telecom Sector has grown exponentially and has become the second largest network in the world.

II.   Implementation status of recommendations of the Committee contained in the Seventh Report on Demands for Grants (2015-16) of the Ministry of Communications and Information Technology (Department of Telecommunications).

2.   The Seventh Report of the Standing Committee on Information Technology on Demands for Grants (2015-16) of the Ministry of Communications and Information Technology (Department of Telecommunications) was presented to Parliament on 24th April, 2015. The Department of Telecommunications furnished their Action Taken Notes on the observations/recommendations contained in the Seventh Report on 27th July, 2015. The Twenty-first Report on Action Taken by the Government on the Seventh Report was presented to Lok Sabha on 21st December, 2015. Out of 11 recommendations contained in the said report, 09 recommendations were accepted by the Government. The Committee had commented on 03 recommendations and replies to 02 recommendations had been found to be of interim nature on which final replies have been sought from the Ministry. The final Action Taken Statement on the recommendations contained in the Twenty-first Report will be laid in Parliament in due course.

III. Budget analysis

3.   The Department of Telecommunications (DoT) presented Demand No. 14 for the Financial Year 2016-17 on 16th March, 2016. The Plan and Non-Plan provisions made in the Revenue and the Capital Sections of the Budget are as under:-

(Rs. in crore)

Heads	Plan	Non-Plan	Total
Revenue Section	5761.30	12594.66	18355.96
Capital Section	2858.70	---	2858.70
Grand Total	8620	12594.66	21214.66

a)   Comparative analysis of Demands for Grants 2014-15, 2015-16 and 2016-17

4.   A statement showing the Budget Estimates/Revised Estimates/Actuals (BE/RE/Actuals) for the year 2014-15 and 2015-16 and Budget Estimates for the year 2016-17 is given as under:-

(Rs.in crore)

Heads	2014-15		2015-16 (upto March,2016)		2016-17	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
BE	11037	7028.06	7599.95	8274.65	8620	12594.66
RE	5057.56	7512.07	8894.96	14483.70	--	--
Actuals	5036.85	7989.29	**8884.07**	14015.41	--	--

5.   Explaining the reasons for enhancement of allocation at RE stage for the year 2015-16, the Department, in a note, stated that it was due to increase in allocation of funds in Plan segment under C-DoT and USOF. C-DoT funding rose from Rs.140 crore to Rs.300 crore. The fund increase was mainly due to requirement for the Centralised Monitoring System (CMS) project approved by the Union Cabinet as a part of the 'Centre

for Security Research and Monitoring Scheme.' Requirements of funds under USOF was increased to the tune of Rs.3100 crore from Rs. 2400 crore for meeting the targets set by DOT for the projects NOFN, LWE, etc.

6.   Utilization of funds under Plan segment during the year 2015-16 is as under:-

(Rs. in crore)

Budget Estimate	7599.95	Exp. 2015-16 (Prov.)	5784.07
Supplementary Grants	1295.01	Amt. Transferred to USOF	3100.00
Total provision	8894.96	Gross Exp. (Prov.)	8884.07

7.   In their presentation before the Committee, the Department provided the details of scheme-wise utilization of funds under Plan for the year 2015-16 as shown under:-

(Rs. in crore)

Schemes/Units	Budget proposals	BE	RE	Provisional exp. upto March,2016
C-DoT	362	140	300	300
Network for Spectrum (Defence Services)	5000	2400	2220	2219.99
USOF(including NOFN)	12600	2400	3100	3099.74
ITI(Revival)	1804	50	0.00	
Establishment of Satellite Gateway Assistance to BSNL	40	40	40	40
Financial support to FTTH	0.00	37	37	37
Other DoT projects	817.24	132.95	97.96	86.85
Total	20623.24	5199.95	5794.96	5783.58

8.   With regard to allocation of funds under Plan during 2016-17, the Department have provided the details as under:-

Schemes/Units	Budget proposals	BE approved
WMO	77	15
TEC	58.49	10
C-DoT	370	220
Network for Spectrum(DS)	8230	2710

NICF	111.28	27
USOF(including NOFN)	7350	2755
ITI	1422	80
DOT Building	50	15
Other DoT project	545.55	33
Total	18214.32	5865

9.   To a query of the Committee regarding the reasons for the enhanced allocation under Plan head during 2016-17, the Department, in a written note, have stated that the increased allocation under Plan during 2016-17 is mainly for estimation on ITI Ltd. (Revival), OFC based network for Defence Services, C-DoT and USOF.

10.   Considering the massive shortfall in allocation of funds, the Committee specifically enquired about the measures being taken by the Department for requisite allocation of funds. To this, the Department, in a written note, have submitted as under:-

> "In regard to the massive short fall in allocation of funds the Department is perusing the matter vigorously with Ministry of Finance. The matter has been taken up with Ministry of Finance time and again for allotment of additional funds under major schemes/projects going on in Department of Telecommunications. Last year also the matter had been taken up at Hon'ble Ministers' level for enhancement of allocations under various heads in Plan/Non-Plan segment. Recently, Secretary (T) has also taken up the issue in this regard with Finance Secretary vide letter no. 1-14/2015-B (Part-II) dated 14.04.2016."

11.   About steps taken to achieve better utilization of Plan funds during 2016-17, it is stated that in order to achieve better and optimal utilization of Plan funds, the Department enumerated that major plan schemes have been included in the Result Frame Document (RFD) of DOT and are being monitored regularly. Monthly and quarterly targets have been given to Nodal officers as well as PSUs concerned and are being reviewed accordingly. Further, to ensure efficient utilization of funds under Plan, all the units concerned are advised to chalk out road map for introduction of new services and projects in a phased and time bound manner.

12.   In order to properly execute the planned activities and to oversee proper utilization of funds allotted under Plan segment following steps have been initiated by the Department:-

i. For regular monitoring of the implementation of the Revival Plan committees have been constituted at corporate level and unit level in ITI. An Apex Committee under the chairmanship of Secretary (T), DoT with representation from Department of Public enterprises and Department of Expenditure has also been constituted.

ii. Department of Telecom has geared up to vigorously implement various projects and results are visible. For instance, in Bharatnet the speed of optical fibre laid has increased to 393 Kms per day last week as compared to 150 Kms per day in 2015-16.

b)   An overview of 12th Plan (2012-17)

13.   The Twelfth Plan targets and achievements are provided as under:-

Sl.no	Items	Targets	Achievements (upto December, 2015
1	No. of connections	Provision of 1200 million connections by 2017	1036.57 million
2	Rural teledensity	70% Mobile access to all villages and increase rural teledensity to 70 per cent by 2017	49.82%
3	Broadband connections	Broadband connection of 175 million by 2017 (256 kbps)	136.53 million (512 kbps)
4	Enhanced spectrum availability for telecom	Make available additional 300 MHz of spectrum for IMT services	(i) Spectrum available for telecom services as of 2015(800,900,1800,2100,2300,2500 MHz bands):304 MHz Pan India (ii) Additional spectrum under consideration in 2016-17 (700,2100,2300,2500 MHz bands):140 MHz

i.   Teledensity

14.   Tele-density, which shows the number of telephones per 100 population, is an important indicator of telecom penetration in the country. Tele-density, which was 79.36 per cent at the beginning of the financial year 2015-16, increased to 81.85 per cent by the end of December 2015. There has been improvement in the rural tele-density during 2015-16 and it increased from 48.04 per cent at the beginning of the financial year to 49.82 per cent at the end of December, 2015. However, the urban tele-density increased from 149.04 per cent to 152.57 per cent during this period.

15.   Explaining the measures taken to achieve the 12th Plan target of providing mobile access to all villages, the Department, in a written note, have *inter alia* enumerated as under:-

> "It is estimated that there are about 55,669 villages out of 5,97,608 villages as per Census 2011 in the country that do not have mobile coverage. However, this constitutes only 9.31% of total number of villages having only 2.9% of the total population in the country. 97.1% population is already covered with mobile telecom facility. The increase in rural tele-density has gathered momentum in recent times but the wide gap between rural and urban tele-density can be explained by the difference in purchasing power of rural and urban consumers. The National Telecom Policy has set the objectives of increasing rural tele-density to 70 percent by 2017 and 100 percent by 2020. The Department has taken several measures for expansion and improvement of telecommunication services in rural and remote areas as given below:
>
> (i)   On 10.09.2014, the Government approved a proposal to implement a Comprehensive Telecom Development Plan for the North-Eastern Region (NER). The Project envisages providing mobile coverage to 8621 identified uncovered villages by installation of about 6673 mobile towers, installation of 321 mobile tower sites along National Highways and strengthening of transmission network in the NER. The estimated cost of implementation is Rs. 5336.18 crore. The Project would be funded from Universal Service Obligation Fund (USOF).

(ii) 2199 mobile towers are being set up in Left Wing Extremism (LWE) affected States with a total estimated cost of Rs.3567.58 crore. 1622 mobile towers are radiating as on 28.03.2016.

(iii) Telecom Commission has given 'in principle' approval on 07.11.2014 for Comprehensive Telecom Development Plan including provision of mobile connectivity for Andaman & Nicobar Islands and Lakshadweep Islands with a total estimated investment of Rs. 221.05 crores.

(iv) Mobile coverage to balance uncovered villages has been planned to be provided in a phased manner, subject to availability of financial resources. Provision of mobile coverage of Himalayan States, Western States, Goa, Tamil Nadu, Uttar Pradesh, West Bengal, Daman & Diu and Dadar & Nagar Haveli has been planned."

ii.   Internet and Broadband Services

16.   The Department, in their written reply, have provided the trend of internet and broadband subscribers during the last three years as given below:

(figures in million)

Sl.No.	As on	Internet subscribers	Broadband subscribers
1.	31st March,2013	164.81	15.05
2.	31st March,2014	251.59	60.87
3.	31st March,2015	302.35	99.20

17.   At the   present rate of growth of Internet and broadband service in the country, the target of providing 175 million Broadband connections by 2017 is likely to be achieved. The Department have provided the position of India when compared with other developed countries of the world in terms of broadband connectivity in 2014 as given below.

Name of the country	No. of Broadband per 100 capita in year 2014
Denmark	157.20

Finland	170.80
France	106.40
Germany	99.40
India	**6.70**
Italy	94.40
Japan	150.70
Netherlands	110.10
Norway	131.10
Russian Federation	83.40
Spain	104.40
Sweden	150.50
Switzerland	122.60
United Kingdom	136.10
United States	128.30

18.   Asked about the economic implications of increasing broadband penetration for the country, it is stated that as per TRAI Recommendations on Growth of Broadband dated 2nd January, 2008 broadband not only enables people to surf Internet, but also provide access to enormous knowledge bank, to do business more efficiently, be better educated, have access to e-health services, benefit from better governance and enjoy enhanced entertainment. A recent study by ICRIER shows that a 10% increase in growth of Internet subscribers leads to an increase of as much as 1.08% in the rate of growth of GDP.

19.   With regard to the average broadband speed of the country when compared with the global average, the Department have submitted as under:-

	Country/Region	Q3 2015 Avg. Mbps	QoQ Change	YoY Change
–	Global	5.1	0.2%	14%
1	South Korea	20.5	-11%	-19%
2	Sweden	17.4	8.6%	23%
3	Norway	16.4	15%	44%
4	Switzerland	16.2	3.7%	12%
5	Hong Kong	15.8	-6.9%	-2.7%
6	Netherlands	15.6	3.0%	12%
7	Japan	15.0	-8.1%	0.2%
8	Finland	14.8	5.6%	26%
9	Latvia	14.5	2.3%	8.9%
10	Czech Republic	14.5	4.5%	18%

Figure 6: Average Connection Speed by Country/Region

- India stood at 116th place with 2.5 Avg. Mbps connection speed.

20.   The Department have stated that technologies adopted in India and developed countries for providing wireline internet and broadband services are Digital Subscriber Line (DSL), Fibre-To-The-Home (FTTH), Cable TV broadband etc. and for wireless internet and broadband services are 3G, 4G, Wi -max etc. The technologies available to provide broadband by wireless and wireline in the country is not lagging behind in comparison to the world. To achieve the broadband speed comparable to other countries in the world both technologies in wireline and wireless are capable to deliver broadband speed.

21.   It is also stated that the to support high speed broadband network in the country, particularly in rural areas, National Optical Fibre Network (NOFN)/Bharatnet project is under implementation to provide broadband infrastructure to all Gram Panchayats (approx. 2.5 Lakh) in the country through Optical Fibre Cable (OFC) by bridging the connectivity gap between Gram Panchayats (GPs) and Blocks for providing broadband connectivity. Under this project, up to 100 Mbps bandwidth is to be provided in all the estimated 2.5 lakh GPs through creation of a highly scalable network for utilization by all categories of service providers on non-discriminatory basis. The project is being

executed by a Special Purpose Vehicle (SPV), namely, Bharat Broadband Network Limited (BBNL) through the 3 CPSUs viz. BSNL, PGCIL and Railtel. All efforts are being made to achieve the target of connecting 1 lakh Gram Panchayats by March, 2017 and the remaining 1.5 lakh GPs by December, 2018**.**

c)   Revenue Receipts of the Department

22.   The license fee and the spectrum charges collected by the Department from the Telecom Service Providers are a major source of non-tax revenue to the Government of India. The details of revenue receipts for the year 2014-15, 2015-16 and estimates for 2016-17 of the Department are as under:

(Rs. in crore)

Items	2014-15 (actuals)	BE 2015-16	RE 2015-16	Pro.upto March, 2016	2016-17 (BE) as per DoT	2016-17 (BE) as per MoF (included in budget document)
License Fee(including UAL)	12358.29	14868	16432	15248.18	16664	16664
Spectrum usage charges	7050.85	8052.94	13916.22	13222.3	8801.01	8801.01
One time spectrum charges	0.00	4165	2513	62.91	63	63
Spectrum auction revenue	10791.08	16000	21587	21586.71	34586	64580.92
Auction installment	0.00	1455.83	1134	1134	9486	9486
Other receipts	496.36	400.00	400	2818.38	400	400
Total	**30693.58**	**44941.75**	**55982.22**	**54072.48**	**70000.01**	**98994.93**

23.   The Committee have also been informed that in addition to this, the Department earns revenue from Other Receipts, Guarantee fee, Pension contributions and Dividend from PSUs. Details are as under:-

Sl. No.	Item	2012-13	2013-14	2014-15
1.	Other receipts	281.66	334.47	492.60
2.	Dividends from PSUs	16.50	23.36	34.53
3.	Guarantee fee	13.37	19.86	16.38
4.	Pension contribution	940.70	907.03	961.26

15.   On the measures taken to increase the revenue and the scope identified for future growth, the Department have stated that the following measures are being taken:

i)   'TRAI recommendations have been received on 27.01.2016 on "Valuation and Reserve Price of Spectrum in the 700 MHz, 800 MHz, 900 MHz, 1800 MHz, 2100 MHz, 2300 MHz and 2500 MHz bands."

ii)   The recommendations of TRAI are under consideration of the Government.

iii)   The total value of the quantum of spectrum available in above mentioned bands at Reserve Price recommended by TRAI is Rs.534809+ crores, out of which Rs.142877 crores would be upfront payment if all spectrum is sold. However, realisation of this amount is subject to the actual response of the market forces to auction and quantum of spectrum which gets sold.'

24.   The Committee are given to understand that there was a loss of Rs. 12,489 crore to the exchequer due to understatement of revenues by six telecom operators, including Airtel, Idea and Vodafone, the Government have reportedly ordered a special audit of telecom companies for three years. This is for the four-year period from 2006-07 to 2009-10.

25.   On being asked whether understatement of revenue by telecom operators had been reported earlier also, the Department, in a written note, have submitted as under:-

"In the year 2009, several complaints were received from MPs / TRAI / Media regarding the accounts of the Telecom Service Providers and accordingly Special Audit of 5 Major Telecom Service Providers was conducted. Based on the Audit Report, the following demands were raised:

Sl. No.	Name of the Operator	Demands issued * (Rupees in Crore)
1	M/s Bharti Airtel Ltd	332.12
2	M/s Reliance Communications Ltd	623.18
3	Vodafone Essar Ltd	246.89
4	M/s Idea Cellular Limited	134.17
5	M/s Tata Teleservices Limited	510.15
	Total	**1846.51**

* All demands are subjudice (stayed by various high courts)"

26. To a query of the Committee regarding the measures being taken to ensure that such understatement of revenue by telecom operators is not repeated, the Department have submitted as under:-

"The annual assessment of the Telecom Service Providers is carried out on the basis of audited accounts of the TSPs and reconciliation statements submitted by them as per the licence agreements. Besides, the licence agreement clause 22.5 & 22.6 provides for Audit / Special Audit of the TSPs. Special Audit has been ordered for the 6 Major Telecom Service Providers for the financial year 2008-09 to 2010-11."

d)   Internal and Extra Budgetary Resources (IEBR)

27.   A statement showing the Proposed Estimates(PE),BE/RE/Actuals for the year 2014-15 and 2015-16 and the PE/BE for the year 2016-17 is given below:-

					(Rs. In crore)
Year	**Proposed**	**BE**	**RE**	**Actuals**	**% of utilization w.r.t. RE**
2014-15	6000.65	6000.65	7606.85	3456.83	45.44
2015-16	10692.14	18595.57	14987.86	4810.64 (upto 29.02.16)	32.10
2016-17	16815.70	16815.70			

28.   When the Committee enquired about the primary reasons for massive under utilization of funds under IEBR during 2015-16, the Department, in a written note, have *inter alia* submitted as under:-

"Up to 27.03.2016, BSNL has authorized cash funds of Rs. 2890.76 Crore out of the planned capital outlay of Rs. 8143 Crore. Some of the rollout targets/obligations could not be completed by the vendors in time because of several reasons like delay in provisioning of electricity connections by state electricity authorities, delay in municipal clearance, delay in permission provided by state governments, delay in site acquisition/hiring and delay in commissioning by the vendor.

C-DoT: The IEBR for the FY 2015-16, expected to be realized, shall be approx. Rs. 60.00 crores against the planned target of Rs. 80.00 crore in respect of CDOT. The reason for shortfall in meeting planned target is that in some of the implementation projects, there has been Re-tendering, delay in award of work, client taken longer time to award the work for customized routing hardware development, etc.

BBNL: BBNL is not able to meet the IEBR target of 2015-16 since there was lack of clarity during Q1 and Q2 of financial year 2015-16 on account of modality of way forward provided in Bharat Net report and it being at variance with NOFN strategy.   After the clarity on this, the progress in Q3 and Q4 peaked. The expected IEBR achievement in CAPEX would be around Rs 2,400 cr.

ITI: ITI Limited is incurring losses during 2015-16 and expected to incur losses during 2016-17 also. In view of the losses, IEBR workings are coming to negative.

MTNL: The actual IEBR component of MTNL during 2015-16, upto February, 2016 is Rs.189.45 crore. Main reasons for underutilization of funds were beyond the control of MTNL as during last two years due to severe financial problems, MTNL is forced to go slow on developmental projects. MTNL is under a serious debt burden of around Rs. 13528 Crore (as on 28th Feb'2016) and is borrowing money to meet its day to day requirements and is unable to mobilize funds required for

these projects. Accordingly, the new projects for which funds were provisioned during the year do not take off and this resulted in under utilization of IEBR provisions. MTNL has sought Govt. assistance for helping it to mobilize funds required for these projects. The present situation of poor utilization of provisions under IEBR is expected to continue till there is clarity on Govt.'s assistance in this regard.

TCIL: An amount of Rs. 16 cr is allotted in RBE 15-16 for infusion of equity. The full amount has already been received in two installment i.e. Rs. 1 crs in July 15 and balance Rs. 15 cr in March' 16.

HPIL: Funds demanded during the BE 2015-16 have been surrendered at RE 2015-16 stage keeping in view the expenditure trend and fact that final payment to legal consultant shall be due during 2016-17 only."

29.   The IEBR proposal during 2016-17 (BE) is as under:-

(Rs.in crore)

Sl.No	Unit/Scheme	BE 2016-17 (alloted)
1	BSNL	7317
2	MTNL	649.03
3	ITI Ltd.	-(670)
4	BBNL	9418.67
5	TCIL	1.00
6	HPIL	1.00
7	C-DoT	100
8	Total IEBR	16815.70

30.   The Committee also desired to know the steps taken to achieve the IEBR target allocated at BE during 2016-17. The Department, in a written note, have *interalia* stated that BSNL has drawn a comprehensive framework within its optimal resources for augmentation/up-gradation of its network in all spheres, viz. wireless network, wireline network data network, backhaul network & bandwidth augmentation. Significant efforts are being planned by C-DoT to increase the focus on customer-driven projects, business promotion activities to showcase indigenous developed technologies, efforts to increase the C-DOT ToT (Transfer-of-Technology) licensees for existing technologies as well as new technologies thereby enhancing the indigenous manufacturing-base and royalty thereof. In respect of HPIL, funds have been sought under Head "Loan" as per Cabinet

approval. Legal firm has already been appointed and requisite funds shall be utilized during 2016-17. BBNL has put in place the strategy and Monitoring mechanism to meet the physical target of connecting one lakh Gram Panchayats. MTNL has planned several initiatives/ projects to improve its network capabilities and provide better quality of service to its customers. However, during the last 3-4 years, due to severe financial problems, MTNL is forced to go slow on developmental projects. With regard to ITI, in view of the losses expected for the year 2016-17, IEBR workings are negative and hence IEBR has been shown as negative in respect of ITI.

IV. Status of implementation of Plan Schemes
a) Utilization of funds under USOF

31.   The Committee have been informed that the resources for meeting the Universal Service Obligation (USO) are generated through a Universal Service Levy (USL), which is a percentage of the revenue earned by the operators under various licenses. Keeping in line with NTP `99, the Universal Service Support Policy came into effect from 1.4.2002. The Universal Service Levy presently is 5% of the Adjusted Gross Revenue earned by all the operators except pure value added service providers like voice mail, e-mail, etc. The Universal Access Levy (UAL) upto 29.02.2016 is Rs.72087.15 Crore and subsidy disbursed upto 29.02.2016 is Rs. 29154.31 Crore. The available balance would be Rs. 42932.84 Crore as on 29.02.2016. The present system   for transfer of funds from Consolidated Fund of India (CFI) to USOF, through approval of Parliament, is in consonance with the extant provision of the Indian Telegraph (Amendment) Act, 2003.

32.   When the Committee enquired about the efforts made by the Department in coordination with the Ministry of Finance for transferring maximum universal access levy charged and allocated to the USOF for effective implementation of schemes on rural   connectivity, teledensity and positive socio-economic progress, the Department , in a written note, have submitted as under:-

> "Clause 9B of the Indian Telegraph (Amendment) Act, 2003 lays down that "The sums of money received towards the Universal Obligation under section 4 shall first be credited to the Consolidated Fund of India, and the Central Government

may, if Parliament by appropriation made by law in this behalf so provides, credit such proceeds to the Fund from time to time for being utilized exclusively for meeting the Universal Service Obligation."'

33.   The Committee have also been informed that the issue regarding transfer of UAL to the USO Fund is being raised repeatedly in the Report of the Comptroller and Auditor General of India on Accounts and was also raised in the Fourteenth Report (15[th]Lok Sabha) of the PAC. The matter is being pursued with Ministry of Finance on a regular basis.

34.   A statement showing the PE,BE/RE/Actuals for the year 2014-15 and 2015-16 and the PE/BE for the year 2016-17 under USOF are as under:-

			(Rs. in crore)
Year	2014-15	2015-16	2016-17
Proposed	14786.74	12600	7350
BE	3537	2400	2755
RE	2086.98	3100	
Actuals	2086.98	2170.84 (Upto 29 Feb,2016)	
% w.r.t. RE	100	70.02	

35.   The detailed projections for USOF during 2016-17 as under:

(Rs.in crore)

S.No.	Scheme	Estimated Expenditure
1	NOFN	5000.00
2	LWE	900.00
3	Comprehensive Telecom Development Plan for NE Region	775.00
4	2G Coverage in uncovered villages in Himalayan States & Western Border States	300.00

5	Other Schemes	375.00
	Total	**7350.00**

36.   In their Outcome Budget, the Department have mentioned that USOF activities would progress considerably and bring about a resultant positive impact on rural connectivity, tele density and socio-economic progress.

37.   On being enquired about the schemes/activities that would be most affected due to this reduced allocation, the Department, in a written note, have stated that BE 2016-17 amounting to Rs. 7350 Crore has been projected on the basis of physical targets to be achieved in 2016-17. However, Rs. 2755 Crore have been allocated for the all USOF schemes for the year 2016-17. It is expected that the reduced allocation would affect the NOFN and LWE scheme.

38.   When asked about the steps taken by the Department to ensure adequate availability of Plan funds during 2016-17, was stated in a written reply that the matter is being taken up with Ministry of Finance from time to time to allocate sufficient funds. The Ministry of Finance will also be approached, if necessary, at higher levels for provision of sufficient funds under Plan during 2016-17.

I.   **National Optical Fiber Network (NOFN)**

39.   A statement showing the PE,BE/RE/Actuals for the year 2014-15 and 2015-16 and the PE/BE for the year 2016-17 is as under:-

			(Rs. in crore)
Year	2014-15	2015-16	2016-17
Proposed		9334.71	5000
BE	1477.26	848.43	600
RE	1308.41	2520.43	
Actuals	1091	1254.97	

(December, 2015)	
% w.r.t. RE	83.39

40.   During 2015-16, an amount of Rs. 848.43 crore was allocated at BE for achieving the target of providing optical fiber to 1,28,000 Gram Panchayats. However, the amount was increased to Rs. 2520.43 crore at RE and the actual expenditure upto December 2015 was Rs. 1254.97 crore.

41.   When asked about the achievements made during 2015-16, the Department have provided the status of NOFN project, as on 20.03.2016, as under:-

Items	Planned	Achieved
Pipe laid (Km)	2,30,000	1,30,535
OFC pulled (Km)	2,30,000	1,02,539
Pipe laid (GPs)	1,00,000	54,603
OFC pulled (GPs)	1,00,000	43,815
Connectivity(GPs)	1,00,000	5,655

42.   Phase-I of the scheme, covering 1,00,000 GPs, is planned to be completed by March 2017.

II.   Scheme of Mobile Communications Services in LWE affected areas

43.   A statement showing the PE,BE/RE/Actuals for the year 2014-15 and 2015-16 and the PE/BE for the year 2016-17 is given below:-

			(Rs. in crore)
Year	2014-15	2015-16	2016-17
Proposed		1230.00	900
BE	586.78	100	300
RE	600	419	
Actuals	596.51	308.53 (as on 29.02.2016	

% w.r.t. RE	99.41		

44.   Elaborating the progress of implementation of the scheme, the Department have stated that out of total 2199 sites (towers), 1557 sites (towers) have started radiating till 14.03.2016. The remaining towers are targeted to be commissioned by June, 2016. As per latest input from BSNL (the executing entity), while most of the sites are expected to be functional by June 2016, a few sites may take longer time, i.e. till September 2016, due to delay in allotment of many site(s) by the respective State Governments, permission from local authorities, permission for cutting trees and related issues, etc., for which extension of another 3 months has been sought by BSNL.

45.   When the Committee enquired about the extent to which the implementation of the scheme has helped in improving the telecom network in the areas, the Department, in a written note, have submitted as under:-

> "At 1557 locations out of the 2199 locations, Mobile services have already been made available as on 14.03.2016 and after going through traffic data details and feedback received from BSNL, the security forces as well as the general public in these areas are utilizing the services."

b)   Submarine OFC Connectivity between Mainland India (Chennai) and Andaman & Nicobar Islands (Port Blair)

46.   As per decision taken in Planning Commission (Now NITI Aayog) on 02.05.2014, direct communication link through a dedicated submarine OFC from Mainland India [Chennai Cable Landing Station (CLS)] to Andaman & Nicobar Islands [Port Blair CLS] has been planned. The Project is to be implemented in two phases. Phase-I will be for provision of submarine OFC from Chennai to Port Blair and to three other islands Car Nicobar, Little Andaman and Havelock. Under Phase-II, there is provision of submarine OFC to Kamorta and Great Nicobar Islands (to be taken up on completion of the first phase). Final DPR has been submitted by TCIL on 18.05.2015 and meeting of the Stakeholders was held on 23.06.2015.

47.   On being enquired about the basic objectives for implementing this project, the Committee have been informed that presently, satellite is the only media providing telecom connectivity to the Andaman & Nicobar Islands which is not able to meet the demand requirement. The basic objective of the project is to provide long-term, secure, robust and reliable communication facilities to the Andaman & Nicobar Islands, keeping in view the increased bandwidth requirement in future due to expansion in telecom services. The project is important due to strategic, defence and internal security interests.

48.   The Committee also enquired on the findings made by TCIL in the Detailed Project Report. It is stated in a written note that in accordance with the recommendations of TCIL, the Technical Consultant, the Department has decided to connect all the six islands in a single phase in order to have savings in installation cost. As per the DPR, 2164.23 km of undersea cable will be required to be laid to connect the six islands with Chennai. The capex requirement will be Rs. 889.58 Crore (inclusive of all applicable taxes & duties and project management cost except octroi and local taxes, and @1USD=Rs. 63) whereas opex in the form of viability gap funding is currently estimated as Rs. 44.87 Crore per annum (@ 5% of CAPEX, including 14% Service Tax, and @1USD=Rs. 63).

49.   The Committee have now been informed that the draft note for the Telecom Commission is under process. It will be placed in the forthcoming Telecom Commission meeting for approval. The project is targeted to be implemented by December 2018. Following steps are being taken by the Department to implement the project at the earliest:

   i)   Process initiated for finalization of drawings, requisite building design, space requirements and location of the equipment in BSNL for installation of Cable landing stations (CLSs) in Chennai and six Islands in Andaman & Nicobar Islands. This would assist in ensuring timely creation of requisite

infrastructure for dry plant in BSNL owned buildings before award of work to house the equipment to be installed under the project.

ii)   Appointment of Consultant, in parallel, for seeking statutory permissions/ clearances in respect of Environment Impact Assessment (EIA) from various Central Government Ministries, State Government (Tamil Nadu) and Andaman & Nicobar Administration.

iii)   Process of preparation of tender documents initiated in parallel, through consultation with BSNL and TCIL, the Technical Consultant, for floating of global tender for procurement of submarine optical fibre cable and associated equipments.

iv)   Maintain close liaison/ co-ordination with concerned Ministries/ State Government/ UT Administration/ Governmental Bodies for securing statutory permissions

c)   DoT Projects: OFC Based network for Defence Services (DS)

50.   The work for Air Force network was started in 2006 and has been dedicated to the nation by 14.09.2010. The Army and Navy component of the network comprising of 219 and 33 sites respectively throughout the country has to be completed by December, 2012. The Cabinet Committee on Infrastructure (CCI) enhanced project Budget on 11 July 2012 to Rs. 13,334 crore with a completion timeline of three years,i.e, by July 2015. There is possibility of time overrun and cost overrun in the project. It has been decided by DoT that the case for approval of revised time schedule and revised cost shall be submitted to the competent authority once prices are discovered on placement of POs by BSNL.

51.   A statement showing the PE,BE/RE/Actuals for the year 2014-15 and 2015-16 and the PE/BE for the year 2016-17 is given below:-

(Rs. in crore)

Proposed/BE/RE/Actuals /% of utilization w.r.t. RE	2014-15	2015-16	2016-17
Proposed	10000	5000	8230
BE	3065	2400	2710

RE	358.08	2220	
Actuals	358.08	2219.99	
% of Utilisation w.r.t. to RE	100	99.99	

52.   The Department have stated that the funds available for FY 2016-17 is Rs 2710 crore. Most of the purchase orders would be placed in 2016-17. Hence the requirement of funds for 2016-17 would be to the tune of Rs 10,000 crore. The revised requirement would be asked for in RE 2016-17. The project is expected to be completed by September, 2017.

53.   The status of purchase orders of various components is as follows:

Sl No.	Name of Component	Updated Status
1.	Infrastructure Development	PO issued
2.	Optical Fiber Network for Backbone and Access of Army	PO issued
3.	Optical Fiber Network for Navy Access	Total– 3000 km PO has been placed in July, 2015 and expected to be completed by 31.03.2017.
4.	IP MPLS Network for Army	P.O. to be issued by June, 2016
5.	DWDM Transport Network	
6.	IP MPLS Network for Navy i/c DWDM	
7.	GOFNMS for Army (GIS based OFC NMS)	P.O. to be issued by June, 2016
8.	Microwave Network	P.O. to be issued by June, 2016
9.	Satellite Overlay Network	P.O. to be issued by June, 2016
10.	Encryption Devices	P.O. to be issued by September, 2016
11.	UNMS (Unified Network Management System)	P.O. to be issued by October, 2016

54.   Since such an important project is continuously witnessing time and cost overrun, the Committee desired to know the reasons and the steps taken by the Department to complete the project within the stipulated deadline, i.e., by September 2017. The Department, in a written note, have submitted as under:-

> "Approval of RoW, coordination with State and Central agencies, delay in finalisation of tenders due to litigation by various vendors and finalisation of specifications have led to time and cost overruns. Monitoring and reviews in close coordination with Armed Forces and sorting out RoW issues with State and Central agencies are being done to ensure that project completion is within the said deadline. BSNL is also making all out efforts to settle the cases and finalise the tenders."

d)   Telecommunications Engineering Centre (TEC)

55.   A statement showing the PE,BE/RE/Actuals for the year 2014-15 and 2015-16 and the PE/BE for the year 2016-17 is as below:-

(Rs. in crore)

Proposed/BE/RE/Actuals /% of utilization w.r.t. RE	2014-15	2015-16	2016-17
Proposed	20	39.42	58.49
BE	15	4.95	10
RE	0.92	1.50	
Actuals	0.11	0.01	
% of Utilisation w.r.t. to RE	11.96	0.67	

56.   The Department have provided the details of allotment and utilization of Funds under TEC during 2015-16 as under:-

Sl.No.	Name of Project	Allotment in BE 2015-16	Allotment in RE 2015-16	Fund Utilized	Remarks
1.	NGN Test Lab	0.40 Cr	0.05 Cr	NIL	Validation not completed by the supplier, hence payment could not be released.
2.	SAR Lab	1.6 Cr	1.20 Cr	NIL	Testing of certain

					aspect of SAR lab is still pending at the supplier end, hence payment could not be released.
3.	EMF Measuring Instruments	1.6 Cr	0.05 Cr	NIL	Previous tender got cancelled and next tender is under evaluation.
4.	Security Lab	0.75 Cr	0.05 Cr	Rs. 1,00,442/-	Project Estimate (PE) approved and tender has been floated
5.	CPE Lab	0.20 Cr	0.05 Cr	NIL	PE approved and tender to be floated
6.	Green Passport Lab	0.20 Cr	0.05 Cr	NIL	PE is under approval
7.	Regional Test Labs	0.40 Cr	0.05 Cr	NIL	PE is under approval
Total		4.95 Cr	1.5 Cr	Rs. 1,00,442/-	

57.   Explaining the reasons for under-utilization of funds during 2015-16, the Department, in a written note, have submitted as under:-

"Reduction of funds from Rs. 4.95 crore in BE to Rs.1.5 crore in RE 2015-16 was made as the tender documents and Project Estimates of various Labs were under approval. Regarding fund allotment for Rs. 1.5 crore in RE, the same was allotted for pending payment of NGN & SAR Lab and execution of civil and electrical works of the proposed labs. Pending payment of NGN & SAR lab could not be released due to non-compliance of validation/testing by the suppliers. However, expenditure of Rs. 1,00,442/- has been made towards the civil works of approved Project of Security Lab."

58.   To a query of the Committee about the steps taken to achieve complete utilization of Rs.10 crore allocated under Plan at BE during 2016-17**,** the Department, in a written note, have submitted as under:-

"Rs. 8 Crore has been sought for both Establishment of Security Lab & Procurement of EMF Instruments (Rs 4 Crore in each case), whose tender has been floated and supply of equipment is expected in this year. However, remaining amount of Rs. 2 Crore has been sought for pending payment of NGN & SAR lab and civil & electrical works for other labs. Civil & electrical works of these labs will be executed immediately, after the approval of Project Estimates, which are under process."

I. Setting up of Specific Absorption Rate (SAR) Lab

59. SAR laboratories were planned for verification of SAR values of mobile handsets and hand held devices, for compliance with EMF exposure limits prescribed by DoT. SAR Lab at Delhi was provisionally commissioned. Compliance of minor deficiencies is pending with the supplier of SAR lab equipment. The proposal for setting up of second SAR Lab in RTEC Mumbai was initiated in 2012-2013. Project estimate was prepared and submitted for approval in 2014, but the same could not be approved due to certain issues raised by DoT HQ. As per DoT HQ instructions, the fresh estimate has been prepared after gathering fresh quotes from vendors and the same is being processed for approval.

60. On the present mechanism adopted for testing of SAR value of mobile handsets in the country, the Department, in a written note, have submitted as under:-

"Testing of SAR value of mobile handsets is done as per instruction contained in 18-10/2005-IP dated 17th August 2012 and O.M. No. 18-10-2008-IP dated 25-01-2012. As per these instructions all the mobile handset manufacturers, both indigenous and imported shall provide a self-declaration in respect of SAR value based on certificate from Inter-nationally accredited labs (ILAC accredited lab) or Labs accredited by Telecom Engineering Centre (TEC), India to TEC with a copy to this department for necessary action. Such self-declared SAR limits shall be subjected to TEC audit as and when required. TEC may also designate other laboratories having SAR testing facilities as Certification Assessment Body (CAB)."

61. The Department have informed the Committee that TEC has not designated any lab for verification of SAR values of mobile handsets. Only few manufacturers

voluntarily have provided the self- declaration in respect of SAR value for their selected models. No such self- declared SAR limit has been subjected to TEC audit. However, nine handsets were procured & tested for SAR value in the lab.

62.   On   the existing internationally practice of testing of SAR value and limits adopted, the Department have stated that SAR value in USA & European countries are tested by accredited labs. In USA, Canada, Brazil, Korea and Australia, SAR limits are 1.6 Watt/ Kilogram (W/Kg). SAR limit recommended by European Union is 2.0 W/Kg.

II.   Setting up of Security Lab, New Delhi

63.   The Department have stated that TEC is setting up Telecommunication Security Testing Lab, which can cater to the telecom industry's need for security testing of various networks elements and CPEs. PE for Security Lab has been approved by DoT. Tender has been floated.

64.   When the Committee enquired about the numbers of Security lab set up in the country, the Department, in a written note, have stated that one pilot lab for the security testing of telecom network elements has been established at IISc Bengaluru for development of test processes, test suites and test methodologies.

65.   On   the mechanisms   adopted to ensure that the equipment are free of bugs, malwares, and other undesirable features, the Department, in a written note, have submitted as under:-

> "The license for the provision of telecom services provide that the licensee shall induct only those network elements into his telecom network, which have been got tested as per relevant contemporary Indian or international security standards e.g. IT & IT related elements against ISO/IEC 15408 standards, for information security management system against ISO 27000 series   standards, telecom and telecom related elements against 3GPP/3GPP2 security standards etc. from any international agency/labs of the standards e.g. common criteria labs in case of ISO/IEC 15408 standards."

66.   Considering that extensive use of foreign made telecom equipment have led to serious threats to national security, the Committee specifically desired to know the reasons for not setting up a single fully   fledged lab for the security testing of telecom network elements in the country, the Department, in a written note, have submitted as under:-

> "Recognizing the requirement for security testing of telecom equipment inducted into telecom networks, a pilot lab has been set up at IISC Bengaluru for security testing of telecom equipments. The test bed has been used for the development of test suites for two network elements and facilitated the development of test processes and procedures. Information on the security testing of telecom network elements is not readily available in the open domain and IISC indicated that their efforts at finalizing technology partners could not materialize and all the work in the pilot lab so far has been through indigenous efforts of IISC faculty and DoT officers. To take the work forward the pilot lab is being up scaled with the establishment of the Telecom Testing and Security Certification Centre (TTSC) which includes a Security test lab which has been planned at Bengaluru and which is likely to get commissioned by March 2017. Further NIT for setting up of another Security testing lab at TEC New Delhi (under DOT) has already been floated and bid opening date is 26.04.2016. It is expected to be operational by 2nd quarter of 2017.Based on the processes, procedures and test suite developed by the TTSC, a proposal to have the accredited Security test labs in the Government, public and private sector is also under consideration."

67.   On being asked about the number of licensees found violating the security standards, it is stated that no such case has come to notice of the department till date.

III.   Procurement of EMF Measuring Instruments for TERM Cells of DoT and NE region

68.   EMF Measuring Equipment are being procured for TERM Cells of DoT for carrying out measurements of radiation levels from various BTS towers. Tender enquiries for supply of EMF Radiation Test Sets were floated in 2012-13 & 2014-15. However, the tender got cancelled in 2013-14 & 2015-16 due to non-fulfillment of terms and conditions of the tender by the bidders. Hence, no expenditure could be incurred. Now, the tender has been re-floated which is under Techno-commercial Evaluation.

69.   As per information furnished by the Department, as on date, TERM Cells do not have their own EMF measuring Equipment available with them. Tender was floated with a requirement of 69 number of EMF Measuring Instruments, out of which 68 were proposed for TERM Cells and one for TEC. First stage Techno-commercial Bid Evaluation report submitted by Tender Evaluation Committee is under approval of competent authority.

70.   On being asked as to what extent carrying out measurements of radiation levels from various BTS towers by TERM cells have been affected due to non-procurement of these equipment, the Department, in a written note, have stated that all TSPs have been mandated to provide logistics support for carrying out the testing related to measurement of EMF radiation, whenever required, and the EMF radiation measurement related testing is not getting hampered which is being carried out by technically qualified and experienced personnel posted in various TERM Cells across the country. However, the availability of EMF Strength Measuring Instruments and other Devices will further equip TERM Cells to carry out these activities in a time bound manner.

71.   The Department have also inter alia stated as under:-

> "Presently, TERM Cells have to depend on TSPs for providing these instruments for carrying out the testing related to measurement of EMF radiation, whenever required. Such dependence on TSPs for EMF measurement instruments is hampering the public perception about the genuineness of these EMF radiation measurements and hence there is urgent need that TERM Cells do have their own EMF strength measuring instruments so that the confidence of public on the tests conducted by TERM Cells can be increased. Further, if TERM Cells have their own EMF strength measurement instruments, they can carry out surprise tests on their own without the knowledge of TSPs."

e) Wireless Monitoring Organisation (WMO)

72.   A statement showing the PE,BE/RE/Actuals for the year 2014-15 and 2015-16 and the PE/BE for the year 2016-17 is given below:-

(Rs. in crore)

Proposed/BE/RE/Actuals /% of utilization w.r.t. RE	2014-15	2015-16	2016-17
Proposed	86.06	64.10	77
BE	49	16.50	15
RE	5.10	5	
Actuals	5.30	3.98	
% of Utilisation w.r.t. to RE	103.92	79.60	

73.   When the Committee enquired about the reasons for the massive reduction of fund from BE to RE during 2015-16, the Department have stated that the main reason for reduction of funds from BE to RE during the 2015-16 is non-utilization of funds under the Capital Head as two major technical schemes, i.e. (i) procurement of six VHF/UHF mobile terminals for six new Wireless Monitoring Stations & Fixed HF terminals at the cost of Rs. 51 Crore and (ii) Procurement of equipment as replacement for 5 nos. of Radio Noise Survey Units at the cost of Rs. 5.5 Crore could not be implemented during the current FY.

I.   Establishment of additional fixed Wireless Monitoring Stations (WMSs) at Bhubaneshwar, Dehradun, Lucknow, Patna, Raipur, and Vijayawada (Contd. From11[th] FYP scheme)

74.   Six new Wireless Monitoring Stations (WMSs) have been established under the 11th FYP. Observing that there has been a considerable delay in the procurement of six V/UHF terminals (vehicle-mounted and portable), the Committee enquired about the reasons and the difficulties being faced due to non- procurement. To this query of the Committee, the Department, in a written note, have submitted as under:-

> **"**The Scheme named "Establishment of additional fixed Wireless Monitoring Stations (WMSs) at Bhubaneshwar, Dehradun, Lucknow,

Patna, Raipur and Vijayawada" was approved in 2009. The draft bid document for the procurement of six V/UHF terminals at a cost of Rs. 28.0 crore was submitted in Sep 2010. Keeping in view some changes to be made to the specifications of the equipments due to advancement of technology and also the advices given by the finance wing of DoT, the draft Bid document was finally vetted by internal finance in July 2013. While submitting the case to obtain the expenditure approval of competent authority, it was advised by internal finance to obtain revised cost estimate as the estimate was about 4 years old. WMO initiated the process of obtaining the revised cost estimate from different vendors, which took considerable time and efforts. WMO obtained and submitted the revised cost estimate of Rs. 66 crore in December 2014.

In February 2015, while considering the proposal, it was decided to obtain the revised cost estimate on broader specifications since there were large variations in the revised cost estimates submitted by different vendors. It was also decided to submit the case with the lowest revised cost estimate. For framing broader specifications a Committee was constituted & the broader specifications were framed by the Committee in the month of August 2015.

WMO again obtained the revised cost estimate for procurement of six VHF/UHF mobile terminals for six new Wireless Monitoring Stations & Fixed HF terminals at the cost of Rs. 51 Crore on the broader specifications and submitted the proposal with a revised cost estimate of Rs. 51 crore (Lowest) in the month of Dec 2015. Since approval of competent authority has now been received in March 2016, the scheme could not be implemented in the FY 2015-16 & funds for the same have been surrendered at RE stage. Now the scheme is proposed to be executed in FY 2016-17 subject to availability of budget.

The purpose of setting up Wireless Monitoring Stations at six newly established Wireless Monitoring Stations, *viz*. Bhubaneshwar, Dehradun, Lucknow, Patna, Raipur & Vijaywada gets affected due to non procurement of six V/UHF monitoring terminals. However, six handheld spectrum analyzers have been provided in FY 2015-16 to the six new WMSs to start with, until full fledged Monitoring facilities are provided to these six new Wireless Monitoring stations."

II. **Replacement of existing equipment of all the five Radio Noise Survey Units (RNSUs) as they have already outlived their useful life**

75.   The average life of wireless equipment is 7-8 years. However, the equipment supplied to RNSUs at Delhi, Mumbai, Kolkata and Chennai are more than 16 years old and that at RNSU Hyderabad is 30 years old. Since then, the equipment's architecture, design and operation have completely changed.

76.   The Department have informed the Committee that during 2015-16, WMO could not implement its scheme for the procurement of 5 nos. of equipment for RNSUs as the draft Bid document for its procurement through Open Tender has recently been vetted by the Finance wing of DoT. Considering the time left in the current FY, WMO proposes to continue this scheme in the FY 2016-17.

77.   Explaining the basic functions of Radio Noise Survey Units**,** the Department, in a written note, have submitted as under:-

> **"**The five Radio Noise Survey Units (RNSUs) at International Monitoring Stations Delhi, Mumbai, Kolkata, Chennai and WMS Hyderabad have been established to measure the radio noise prevalent in a particular frequency band in a region and also to determine the threshold level for the smooth functioning of the radio transmission/receiving system. Due to the advancement of radio communication technology and proliferation of radio communication services in the country, the challenges and complexities have increased tremendously in ensuring the interference free radio environment in the different service areas of the country.
>
> The mapping of radio noise is essential especially in urban areas for site selection both for receiving as well as transmitting radio stations. In case the sites are near the high power transmission lines or the dense mobile vehicular traffic area, the sampling of ignition noise or the automobile noise as the case may be, will help in selecting the ideal site for smooth working of the wireless stations."

78.   When the Committee enquired about the various problems faced by the five RNSUs due to continuous use of old equipment, the Department, in a written note, have submitted as under:-

> "The main constraint in the use of old equipment was its limited frequency range. The frequency range was 5 Hz to 1000 MHz. Old equipment cannot be used for measurement beyond 1000MHz and most of the modern day communication technologies are operational beyond 1000MHz also. The equipment has become obsolete technologically. The measurement data with old generation of equipment cannot be analysed with newer data management systems."

79.   On the specific query of the Committee regarding the plan of the Department to procure the equipment during 2016-17, it is stated that after the approval of the higher authorities, the open tender for the procurement of the 5 nos. of equipment for the RNSUs will be published in the FY 2016-17. WMO will make all efforts to complete the procurement of Radio Noise Measuring Equipment in the FY 2016-17.

f)   Telecom Enforcement Resource Monitoring (TERM) Cell:Monitoring of compliance to prescribed norms regarding acquisition of subscribers

80.   The Telecom Enforcement, Resource & Monitoring (TERM) Cells are mandated to carry out sample verification of Customer Acquisition Form (CAF) and related documents of the acquired customers, by all TSPs, on a monthly basis, by generating random samples of 0.1 % of the customer base of each TSP at the end of each month and cross verify the same against the entries of the database submitted by the TSP and details as mentioned by the customer in the copy of CAFs and supporting documents for all such samples. The sample size in respect of J&K, NE and Assam Service Areas is 0.2% on quarterly basis. TERM Cells are able to completely audit the sample size which brings out non-compliant cases where DoT guidelines were violated by TSPs in acquiring the customer and impose applicable financial penalties on the defaulting TSPs.

81.   When asked by the Committee about the details of TSPs on which penalty has been imposed for non-compliant CAFs and the total amount realized so far, the

Department, in a written note, have provided the details of different TSPs as on 31.12.2015, TSP wise, as under:-

Sr. No.	Name of Telecom service Provider	Total Sum of Financial Graded Penalty imposed (in Rs.) as on 31.12.2015	Total sum of penalty recovered as on 31.12.2015
1	AIRCEL/Dishnet/DWL	508,86,99,696	97,41,46,245
2	Allianz/Etisalat/AIPL	64,30,665	58,49,405
3	Airtel/BAL/BHL	265,08,41,194	218,14,44,444
4	BSNL	582,41,35,617	90,09,12,969
5	Idea/ABTL/ICL	157,73,98,061	96,38,53,561
6	LOOP	54,72,000	54,50,000
7	MTNL	10,06,94,000	8,02,98,000
8	QTL(HFCL)	3,49,08,000	3,44,95,000
9	Reliance/RCL/RTL	364,34,96,996	115,85,77,031
10	SSTL (MTS)	52,96,78,328	14,21,16,327
11	STEL	10,91,74,000	25,18,000
12	STL/SPICE	11,87,18,145	8,10,72,145
13	Tata/TTML/TTSL	243,29,34,580	60,69,05,805
14	Uninor/Telewings/Telenor	14,57,02,390	13,99,93,405
15	Vodafone	242,08,05,117	145,63,04,357
16	Videocon	1,65,43,867	1,60,18,867
	Grand Total	**2470,56,32,656**	**874,99,55,561**

82.   When asked about the reasons for recovering only 35.41 per cent of the total penalty imposed, the Department have stated that the recovery of CAF penalty is held up due to pendency of court cases filed by TSPs in different courts challenging the circulars/guidelines issued by AS Cell, DoT and demand notices issued by TERM Cells. The recovery of the outstanding penalties is subject to outcome of court decision(s) in these litigations filed by TSPs.

VII.   Review of functioning of PSUs: BSNL, MTNL&ITI
a)   Bharat Sanchar Nigam Limited (BSNL)

I.   Financial performance

83.   Details of revenue and working expenses are as under:-

(Rs. in crore)

Year	Total Income	Total Expenditure	Balance
2013-14	27,996	34,929	-7,020
2014-15	28,645	32,291	-8,234
2015-16 (upto 31.12.2015)	19,911	24,713	-5,183

84.   On being asked about the number of telecom circles in the country and the number of telecom circles where BSNL is on profit, the Department have stated in a written reply that BSNL has 49 telecom circles in the country out of which 26 are territorial circles. Kerala & Odisha circles are in profit for the F.Y. ending 31.03.2015.

85.   With regard to the projected revenue for 2016-17, the Department have informed the Committee that the projected revenue (sales turnover) of BSNL for the year 2016-17 is Rs. 31,500 crore as per the draft MoU 2016-17 submitted to DPE. The same shall be finalized after discussion with the Task Force constituted by DPE.

86.   When asked by the Committee about the market share, it is stated that the percentage telephone market share of BSNL with regard to wireline, wireless and broadband services during the last 3 years is as under:

Year	Wireline (In %age)	Wireless (In %age)	Broadband (wireline+wireless) (In %age)
31.03.2013	67.69	11.66	66
31.03.2014	64.90	10.46	27.54
31.03.2015	61.80	7.92	19.03

87.   The Department have provided that BSNL had incurred Plan expenditure of Rs.3354 crore during the year 2012-13, Rs.3094 crore in 2013-14 and Rs.3080 crore during 2014-15.

88.   The Committee have been informed that BSNL will be completing Phase VII GSM expansion for 15 million lines with provision of 10,510 3G BTSs & 14,232 2G BTSs with an investment of Rs. 4,808 crore. Additionally, an investment of Rs. 1,300 crore is also firmed for installation of 9,600 3G BTSs and 5,300 old BTSs in North & South Zone. This will also include replacing of 5,300 old BTSs of GSM Phase I, II & III. An approximate capacity of 5 million shall be added in the GSM network of North Zone & South Zone. As on 31.12.2015, BSNL has already commissioned 16.42 million lines. Out of the planned BTS, 9,829 (3G) BTS & 12,491 (2G) BTS have been commissioned (total 22,320). This will improve 2G & 3G network coverage & data capability of 3G network.

89.   On being enquired about the numbers of 2G and 3G BTS added by BSNL during 2015-16, the Department have stated that 2998 nos. of 2G BTS & 2764 nos. 3G BTS have been added in BSNL network in FY 2015-16 (up to Feb.16).

90.   When the Committee enquired about the deadline for the completion of GSM - VII Project and the efforts made by BSNL for its speedy completion, the Department, in a written note, have submitted as under:-

> "A deadline of June, 2016 has been set by BSNL for the completion of GSM phase VII project. BSNL Headquarter is monitoring roll out status of GSM Phase VII project circle wise circles & vendor are pursued for faster roll out, requirements/ issues received from field units are resolved , review meetings are conducted at regular intervals."

91.   The Committee have also been informed that implementation of Phase VII project has provided additional coverage in 8086 towns/ cities, 17246 villages, 2214 Km National Highways, 4122 Kms State Highways, 3273 Kms railway routes. About 2295 cities have been covered additionally under 3G.

92.   With regard to the status of installation of 9,600 3G BTSs and 5,300 old BTSs in North & South Zone and the likely date for its completion, the Department have stated that purchase orders for phase VII+ project have been placed by telecom circles of South Zone in Oct-Nov 2015 & in North Zone in Jan-Feb, 2016. Equipment is under supply in South Zone and supply has not started in North Zone. Tender timelines for completion of this project is 12 months from the date of issue of purchase, order *i.e.*, tentatively by November, 2016 in South Zone and February, 2017 in North Zone.

II.   **Manpower Strength**

93.   The Department have informed the Committee that the style of functioning of BSNL with respect to other TSPs is totally different. BSNL is maintaining its network through its own manpower whereas the other TSPs are mainly working on managed service model where their network is maintained on outsource basis. Accordingly, the manpower of BSNL is not at all comparable with other TSPs. As on 29.02.2016, the total number of employees is 2,11,868. The present staff strength of BSNL is adequate to cater to the requirements of BSNL.

94.   On the management of manpower through outsource basis, the Committee have been informed that the position of BSNL in terms of manpower is different from other TSPs. TSPs have recruited the manpower as per their present needs whereas BSNL has got legacy manpower from DoT which has to be first utilized optimally. Only in areas where the legacy manpower cannot yield desired results, outsourcing is resorted to. Adopting outsourcing on a large scale as a general policy without utilizing the in-house manpower to the fullest may not be a fruitful solution for BSNL. BSNL tries its best to adopt business practices in order to compete in the market. For example in order to improve complaint/query resolution and Quality of Service, Call centers have been outsourced in BSNL.

95. The Committee have also been informed that the manpower of BSNL is mainly of two categories, viz. executives and non-executives. The majority of workforce has been absorbed in BSNL from DoT w.e.f. 1.10.2000 after the corporatization of Department of Telecom Services into BSNL. A lot of cadres in non-executive category have become wasting cadres, *i.e.* posts which are treated as the personal to officials occupying them and stand abolished once the officials vacate these posts on account of retirement, resignation, promotion, etc. Attempts are being made to re-deploy and make gainful use of these personnel on wasting cadres but given the present profile of the incumbents and the skills requirement, it has been a difficult exercise to accomplish. Re-training and providing requisite skill sets with changed technology are required to better utilise the existing manpower

96. On wasting cadres, it is intimated that these employees were absorbed from erstwhile DOT subsequent upon corporatization of DTS/DOT. These employees have been given training and their services are utilised in different Business units. The Committee have also been informed that as regards VRS, no such proposal is under consideration in DoT. Employees have been given training and their services are utilised in different Business units.

III.   Real Estate Management

97. After formation of BSNL, all land assets were transferred to BSNL vide *GOI*, Gazette Notification dated 17.03.2001. There are 15300 lands available with BSNL & some of these are purchased after formation of BSNL. DoT have given mandate to mutate 7406 lands in the name of BSNL, out of which 2141 lands have been mutated, and the work of mutation of properties in the name of BSNL is still in progress. At present, vacant lands are not being mutated in the name of BSNL as per the directions of DoT.

98.   The Department have informed the Committee that total area of 15300 lands available is 4,51,00,474.37 sqm as per data available on BSNL civil MIS site. There is no classification of land on the basis of its location.

99.   With regard for giving the mandate for mutating only 7406 lands, it is stated that land with clear revenue record have only been referred to BSNL for consulting concerned Govt. Pleader at district/taluka level and processing the cases as per formalities required for such mutation of titles as per legal advice given by LA (T). As regard remaining properties, it was decided with the approval of Hon'ble MOC&IT that:-

a) "Land/building proposed for retention for DoT units & vacant land will not be transferred at this stage and will be processed separately.

b) Properties which are under litigation, encroachments or dual/Joint ownership will be resolved on a case to case basis bases on guiding principles."

100.   The Committee have further been informed that permission for mutation was given in Phased manner beginning from the end of the year 2012. Total 7406 lands situated in various BSNL Circles.   There were many prerequisite steps before starting the actual mutation process i.e. identification, Verification, reconciling of lands with DOT Annexure etc and signing the statements from respective CCAs. Therefore, the mutation process remained at slow pace at start and now it is gaining speed at 2222 lands parcels have been mutated till 31st March., 2016 which is 30% of total lands to be mutated. The remaining lands are expected to be mutated within a year.

101.   On the status of land under encroachment, BSNL has reported that a total 131 nos. of lands are under encroachment. Total area of encroached land is 10,56,290 sqm. Encroachment on the land a under this category varies from partial to full encroachment. At majority of cases, encroachment is only partial. Matter has been taken up by the respective Circles with concerned Authorities to remove the encroachment.

102.   On the reason for not conducting any study to find out the market value of the lands, the Department have stated that as per existing orders, Cabinet nod is required to dispose of land/ assets of PSUs. In the absence of specific proposal of monetization, no need was felt to undertake the study to determine market value of land available with BSNL thereby saving in fructuous expenditure.

103.   The Department have however stated that list of 82 BSNL lands has been prepared that can be Commercially Exploited for Phase-I. In order to develop policy & procedures for commercial exploitation of vacant lands, BSNL has already undertook a Pilot Project for commercial exploitation of 10 plots of lands situated at various places in the country with a hope that case specific approval shall be given by the competent authority. Out of these 10 cases, 7 cases are actively under consideration and remaining cases shall be taken up accordingly.

104.   When the Committee enquired about the efforts made for commercial utilization of lands available, it is stated that the Government have decided to gainfully utilise the vacant built-up spaces in the buildings of BSNL. BSNL is also trying to monetize its vacant flats. The commercial utilisation of land would be considered after full exploitation of vacant built-up spaces and flats.

105.   The Department have also provided the amount of expenditure made towards rent on buildings during the last three years, which, as per audited annual accounts, is Rs. 323.22 crore in 2012-13, Rs.321.41 crore in 2013-14 and Rs.313.97 crore in 2014-15. The offices of BSNL have been shifted from rented premises to BSNL owned buildings in a phased manner and expenditure incurred in annual rent has been minimized.

b)   **Mahanagar Telephone Nigam Limited (MTNL)**
I.   **Financial performance**

106.   The data relating to the total revenue earned and the corresponding increase/ decrease in working expenses of the MTNL are under:

<div align="right">(Rs. in crore)</div>

F.Y.	Revenue Earned (In Crs)	Working Expenses (In Crs)	Balance
2012-13	3714.08	6377.98	-2663.90
2013-14	3787.37	4530.09	-742.72
2014-15	3821.06	4116.26	-295.20
2015-16 (actual achievements upto 31/12/2015)	**2562.84**	**4759.09**	-2,196.25

107.   The Committee have been informed that MTNL is under a serious debt burden of around Rs. 13528 crore (as on 28th February, 2016) and is borrowing money to meet its day to day requirements.

108.   The reasons for the decline in the total revenue receipt and the sudden increase in the total expenditure of MTNL during 2015-16 when compared with the previous year are as follows:

- "Reduction in revenue on account of free termination w.e.f. 01.03.15
- Change in tariff of Long Distance circuits w.e.f. 01.08.2014
- Increase in expenditure is mainly on account of inclusion of finance of Rs. 963.37 crore. and Rs. 821.13 crore. of depreciation which were not in the corresponding figures. After exclusion the revised figure of working expenses for 2015-16 (Q3) will be Rs. 2975 crore. and balance Rs. 412 crore."

109.   As on 31.12.2015, the total accumulated loss is Rs. 2180.33 crore and Net worth is Rs. - 112.91 crore.

II.   Support received by MTNL from Government till date:

110.   The Department have provided the details of support received by MTNL from Government as under:-

    (i) Refund of surrendered BWA Spectrum charges- On 09.01.14, Govt. decided to provide financial support of Rs.4,533.97 Cr equivalent to the upfront charges paid by MTNL for the surrendered BWA Spectrum. Govt agreed to discharge the total liability of bonds, including principal and interest. However, MTNL would utilize the proceeds to discharge its existing loan liability only. MTNL has already raised bonds with the sovereign guarantee during F.Y. 2013-14 and 2014-15 & the fund raised have been utilized for reduction of existing loan liability. Interest cost has reduced by Rs. 500 Cr. p.a. & Debt by Rs 4,533.97 Cr.

    (ii)   Settlement of Pension issue: On 09.01.14, Govt decided to pay pensionary benefits w.e.f 01/10/2000 (on BSNL pattern) to Govt employees absorbed in MTNL with option on combined service with the condition that MTNL will pay pension contribution to the Government as per FR 116 as is applicable in the case of BSNL on equivalent BSNL pay scales, and pension Contribution payable by MTNL shall be adjusted against excess payment of pension made by MTNL. Currently, Government is disbursing the pension directly. Employee cost reduced from 132% to around 69% of income.

111.   In spite of the above financial assistance given by the Government, the current financial situation of MTNL is that it is facing difficulties to arrange/ mobilize funds for developmental projects. MTNL is also facing difficulties to upgrade its GSM and landline network for the last 3-4 years due to constraint of funds. In the wireless segment due to limited no. of BTS / Node B sites both for 2G / 3G the coverage and quality issues are encountered by the customers. Similarly due to non-investment in access network of fixed lines the service quality issues are being encountered.

112.   MTNL has also been given the financial support by the Government for financial support of Rs. 492.26 crore on account of liability arising from levy of Minimum Alternate Tax (MAT) and Rs. 458.04 crore to MTNL is being refunded on account of surrender of CDMA (Code Division Multiple Access) spectrum.

III.   **Pending Issues of Revival Plan requiring immediate attention of the Govt.**

113.   The Committee have been informed of the immediate attention required from the Government on some of the pending issues of Revival Plan, such as Government support for mobilization of funds to meet capex requirement of its projects for up-gradation / expansion of networks; reduction of HR cost through a targeted VRS scheme or salary support on diminishing basis for the targeted Government recruited employees; monetization of surplus land and building by allowing MTNL to lease/ sell/ rent its available premises / lands for their effective and gainful utilization; and refund of interest on BWA Payments.

114.   The financial costs to the Government for extending support on some of these issues are as follows:

S.No.	Issues	Financial Cost
1.	Interest on BWA Spectrum	Rs. 2300 Cr.
2.	Capex requirement of the projects for up-gradation / expansion of networks	Rs 2000 Cr. – Rs. 2500 Cr.
3.	VRS Scheme	VRS Cost - Rs. 4048 Cr. (Liability of DOT- Rs. 3765 Cr. and Liability of MTNL – Rs. 283 Cr.)

115.   Asked about providing a comprehensive financial assistance to MTNL for meeting the   Capex requirement instead of piecemeal infusion of funds, the Department have submitted as under:-

"Government has, from time to time, been providing financial assistance to MTNL such as treatment of pensionary liabilities of Government employees absorbed in MTNL on parity with similar employees in BSNL, financial support of Rs.4533.97 crore to MTNL on surrender of Broadband Wireless Access (BWA) spectrum, financial support of Rs. 492 Crores to MTNL, towards payment of

Minimum Alternate Tax (MAT). In view of above, it is difficult for the Government to provide budgetary support for additional issues."

c)   Indian Telephone Industries (ITI) Limited

116.   The Cabinet Committee on Economic Affairs (CCEA) had approved a revival package of Rs. 4156.79 Cr. to ITI in February 2014 consisting of Rs. 2264 Cr. as equity for capital investments and Rs. 1892.79 Cr. as grant-in-aid to clear part of the liabilities of the company. Till date MoF has released Rs. 851.02 Crore against the approval of Rs. 4,156.79 Crore. This comprises of an amount of Rs 192 Crore to meet capex requirements and Rs. 165 crore for payment of 39 months' pay revision arrears, as per 1997 pay revision, to employees of ITI released in 2014-15. In 2015-16 an amount of Rs. 173.02 Crore to partially address statutory liabilities of the Company and Rs 321 Crore to meet the establishment cost have been released to ITI. In BE-2016-17, an amount of Rs. 80 Crore has been allotted for meeting capital expenditure requirements for revival of ITI and Rs. 545.79 Crore for clearing statutory liabilities and meeting salary expenses of the Company.

117.   On the status of utilization of Rs. 192 crore released during 2014-15, the Department, have stated that major portion of this amount is already utilized by the Company for upgrading the infrastructure at various manufacturing plants for implementing projects identified under revival plan. The total capital expenditure is Rs. 104 Crores as on 31.03.2016. The additional capabilities added are as follows:

● "One line of High-density polyethylene (HDPE) Pipe manufacturing has been established in Raebareli plant. The pilot lot produced in this line has been submitted for TSEC certification and the certificate is also received. Considering the huge requirement of this product in projects like, Network for Spectrum (NFS), National Optical Fibre Network (NOFN), Army Static Switched Communication Network (ASCON) etc, the Company is planning for more such lines in Raebareli as well as in Palakkad plants.

● The Palakkad plant of ITI has established Component Screening laboratory for Vikram Sarabhai Space Center (VSSC) which will be used for the testing of

electronic components required for the assembly of satellite launch vehicles. The laboratory has already been established and is awaiting certification by VSSC. Palakkad plant has also established facility for addressing IP based Managed Leased Line Networks and Smart Card manufacturing. Business opportunities are being explored for these projects.

- In Bangalore plant, major investment has been made for increasing the manufacturing capability for high speed encryption equipments required for Defence. Using this added infrastructure, the plant has addressed one major tender of Defence ASCON Network and two major tenders of Defence for the supply of encryption products and is hopeful of getting orders.

- Most of the plants have upgraded manufacturing infrastructure for addressing contract manufacturing works for PSUs. Bangalore plant has further augmented its environmental testing infrastructure and the plant has already received a few orders for using this facility."

118.   The reason for non-allocating any Plan fund during 2015-16 was also enquired by the Committee. The Department, in a written note, have submitted as under:-

"The amount of Rs. 192 crores allocated under Plan head in BE 2014-15 was released in February 2015 and the implementation of the projects utilizing this fund is just getting completed during this year. In view of this, even though an allocation of Rs. 50 crore was initially made for ITI in GoI budget BE 2015-16 under Plan head, ITI could not ask for this amount before Q3 2015. As such, in RE 2015-16, no allocation was made for ITI under Plan head."

119.   The allocation of funds to ITI for the year 2016-17 is as follows:

	(Rs. in crore)
Plan	80.00
Non-Plan	500.00
Non-Plan – Waiver of Guarantee Fee	45.79

120.   The Committee have also been informed that waiver of Guarantee Fee is a non-cash item. However, provision of this waiver exists in CCEA approval dated 12.02.2014

regarding providing financial assistance for revival of ITI. ITI is making plans to implement projects approved by CCEA during the year 2016-17. Additional funds for implementation of these projects may be made available to ITI during the year based upon the recommendations of the Apex Committee constituted for monitoring the implementation of revival plan of ITI.

121. The total revenue earned and the corresponding working expenses of the ITI during the last three years:-

(Rs. in crore)

Year	Total Revenue	Total Expenditure	Balance
2012-13	875	1057	-182
2013-14	746	1090	-344
2014-15	659	956	-297

122. The total value of the work orders executed by the company for the year 2015-16 is Rs 1252 Crores. The details are given below:

(Rs. in crore)

Project	Turnover
GSM Project	149.00
NGN	63.00
MLLN/SSTP	42.50
GPON	7.00
NPR	104.50
AMC for Defence	124.00
NFS Project	535.00
Fixed line switch AMC	31.00
IT projects and other business through ROs	144.00

Data center	14.00
GSM franchise	21.00
Miscellaneous	17.00
TOTAL	1252.00

123.   In the written note, the Department have also stated that the increased turnover is mainly from the execution of projects like NFS, NPR and GSM projects.

124.   The revenue target of ITI for the year 2016-17 is Rs. 2600 crore. To get more work order during 2016-17, ITI has addressed one major tender of Defence ASCON Network and two major tenders for supply of encryption products for Defence and is hoping to get orders. ITI has also initiated action to take up manufacture of OFC cables and Li-Ion batteries which have huge requirement in the market. ITI is also gearing up to address the Gigabit Passive Optical Networks (GPON) tender of BBNL and "Low Power BTS for NE region" tender under USO. ITI has tied up with C-DOT for two major products, GPON and Wi-Fi, and ToT agreements have been signed. Both these products find good market in projects, like Bharat Net. ITI has taken up several projects under Data Center & IT market and has approached vendors like Department of Posts, Ministry of HRD etc. with unique solutions.

125.   The Committee have also been informed that DoT is in the advance stage of sending a proposal for consideration of Cabinet Committee on Economic Affairs (CCEA) for extension of Procurement Quota policy for a period of two years under which ITI would be able to get 30% of the procurement orders to be placed by BSNL, MTNL and BBNL.

VI.   Miscellaneous
a)   Review of functioning of Telecom Advisory Committees (TACs)

126.   Telephone Advisory Committees are constituted in each Telecom District under the Chairmanship of the Principal General Manager (PGM), General Manager(GM), Telecom District Manager (TDM) or Telecom District Engineer (TDE) as the case may be.

In the case of Metro District viz. Delhi, Mumbai, Kolkata & Chennai, one TAC each is being constituted under the Chairmanship of concerned Area General Manager. All the Hon'ble M.Ps (Lok Sabha and Rajya Sabha) who are not Union Minister are member of TAC and are given the co-Chairman status in TAC meetings. The maximum strength of members in a TAC is 20, however, the strength could be revised through specific orders of Department of Telecommunications in any special case. TACs are constituted for a period of two years or till further orders, whichever is earlier. All the 358 TACs (342 in BSNL and 16 in MTNL) have been re-constituted across the country for a period of two years. w.e.f. 01.09.2014 or till further orders, whichever is earlier.

127.   The basic functions of TACs are as under:-

(i)   TACs shall work as interface between telephone consumers and BSNL/MTNL.

(ii)   Giving the public a confidence that their grievances are properly represented as well as redressed.

(iii)   Educate public/bring awareness among telephone consumers about the various services provided by BSNL/MTNL.

(iv)   To suggest measures for efficiency.

128.   Regarding suggestions to improve the functioning of TACs, BSNL has suggested that the very purpose of TACs has not been met therefore meetings of Telecom Circles only with Hon'ble MPs are sufficient. However, MTNL has not given any suggestion.

129.   When the Committee enquired about the number of TAC meeting held so far, the Department have submitted as under:-

'So far, 656 sittings of TACs have been held in BSNL and 33 sittings in MTNL. Telephone Advisory Committee (TACs) are constituted Telecom District wise rather than Telecom circle wise. During the present term, in BSNL area, 60 TACs have conducted maximum number of sittings viz "3", and 9 TACs have conducted minimum number of sittings viz" Nil". As per the information furnished by BSNL, the main reason for non-conducting of TAC meetings is non -receiving of acceptance from Hon'ble MPs and TAC members. During the present term, in MTNL area, 1 TAC has conducted maximum number of sittings viz "3" , and 15 TACs have conducted minimum number of sittings viz " 2". '

130. During the sitting, it was pointed out that the MPs should be Chairmen of the TACs and the GMs could be the Convener of the Committees. The Department have furnished the following points for making GMs as Chairman of TAC:-

(i)   SSA head i.e. General Manager and others is well conversant about various rules of BSNL/MTNL as well as he is having information about ongoing projects and future plans. Hence, he should continue as Chairman of TAC in order to reply the various queries raised by the TAC members during the meeting.

(ii)   The area of jurisdiction of a TAC may exceed the constituency area of the Hon'ble MP.

(iii)   There may be more than one Member of Parliament (MP) in TAC.

(iv)   Further as on date, BSNL and MTNL are independent corporate entities working in the most competitive environment and they have take their own commercial decisions keeping in view their financial status as well as market conditions.

b)   Virtual Network Operators (VNOs)

131. The Committee are given to understand that Telecom Commission had approved long-pending proposal on Virtual Network Operators, which will offer voice and data services under their own brands without owning network on spectrum.

132. The Department have furnished a   note on the concept of 'Virtual Network Operator', as under:-

> "Companies that provide telecom services without owning spectrum or network infrastructure - within a licensing framework and allow them to   offer voice, data and video services are known as Virtual Operators.

> VNOs rely on the network of other telecom companies to provide services to consumers. Typically, a VNO buys bulk talk time and bandwidth from an operator and then sells it to the users. It can provide any or all the services that are being provided by the network operator.VNO is envisaged in NTP-2012."

133. On being asked about the advantages of VNOs, the Department have submitted as under:-

> (a)   "Telecom Service Providers can utilise their networks and spectrum efficiently by sharing active and passive infrastructure and also to facilitate resale at service level by introduction of VNOs.

(b)   We are in convergence era where same network can provide various services which are independent of network layer, that means, the delivery of services can be provided by one operator and network may be owned by a distinct operator.

(c)   Further, VNOs can provide services in small towns and rural areas using the network of existing NSOs having unutilised capacity or by last mile connectivity.

(d)   VNO can offer its own tariff plan. This can also provide marketing and branding opportunities for service providers.

(e)   The VNOs can be effective through delivery of service in airports or buildings or in smart cities. In these structural defined areas, the planning and development takes a long time, hence it is not practical for TSPs to plan and lay their infrastructure   in such areas. A developer of such areas may therefore become a VNO and lay the infrastructure which can be connected to a Network Service Operator's network.

(f)   Further, there are several organisations, which want to make their areas Wi-Fi enabled like Indian railways & Delhi city. So if they are allowed to become VNOs, then they can provide services according to the needs of customers and design innovative tariff plans to suit customers' needs.

(g)   Also there are areas in broadcasting sector in which cable TV operators can act like a VNO and provide cable TV, Broadband and voice services. Presently, cable TV operators are not keen in the present licensing regime because of regulatory and licensing issues. However, they may like to become VNO and may provide services using the network as last mile.

(h)   With the increasing deployment of machine to machine communication, smart transportation, smart Cars and internet of things, the manufacturer may have to have equipment embedded with the device at the manufacturing stage itself which has the capability of communicating with either other devices or central controller through wireless or IP platform. In this case, a system integrator for such network can acquire VNO licence and get into an agreement with the TSPs for such services.

(i)   Many network service operators have unutilised capacity in certain rural areas. A small entrepreneur as VNO may provide telecom services in such areas. "

134. Some of the features of VNOs provided by the Department are it shall be a company registered in India;Entry Fee will be 50% of Unified Licences; All Service permitted under UL can be given by VNO; and, Licence Fee @8% of Adjusted Gross Revenue(AGR) & Spectrum Usage Charges as being paid by NSO is payable by VNO.

135. During evidence, the representative of DoT stated that the Telecom Commission has approved a new licence for a virtual network operator, which will enable telecom service providers who have capacities available, and specially BSNL and MTNL, and other weaker telecom service providers to be able to outsource or franchise their services, the minutes of voice of broadband, and get the marketing and other last mile activity done by private agencies. So, this would enable to separate the network from the Services and it will be a new licence which has been the demand of this sector for a very long time.

136. On the number of licenses issued, it is stated that no license is issued yet. Formulation of Guidelines and license agreement for VNO is under process.

Part-II
Observations/Recommendations

DoT Budget

1.   The Department of Telecommunications (DoT) have laid the detailed Demands for Grants (2016-17) in Lok Sabha on 16th March, 2016 for a total amount of Rs. 21,214.66 crore consisting Rs. 8,620 crore under Plan and Rs. 12,594.66 crore under Non-Plan. This budget contains an enhanced provision of Rs.5340.063 crore over the allocation in the previous fiscal. An analysis of the financial performance for the year 2015-16 reveals that an amount of Rs. 7599.95 crore was allocated at BE under Plan which was increased to Rs. 8894.96 crore at the RE stage, mainly due to increase in allocation of funds in the Plan segment under Centre for Development of Telematics (C-DoT) and Universal Service Obligation Fund (USOF). C-DoT funding rose from Rs. 140 crore to Rs. 300 crore, mainly because of the requirement for the Centralized Monitoring System (CMS) project, approved by the Cabinet as a part of the 'Centre for Security Research and Monitoring Scheme'. Requirement of funds under USOF was increased to Rs. 3100 crore from Rs. 2400 crore for meeting the targets set by DoT for projects, *viz.* National Optical Fiber Network (NOFN), Left Wing Extremism (LWE), etc. The gross expenditure (provisional) was Rs.8884.07 crore consisting of Rs.3100 crore transferred to USOF. The Committee appreciate the financial performance of the Department in the year 2015-16. The Committee note that in the year 2016-17, there was an increase of Rs.1020.05 crore in the allocation made under Plan, mainly because of estimation of ITI Ltd. (Revival), OFC based network for Defence Services, C-DoT and USOF. The Committee are also given to understand that under GBS, against the proposed amount of Rs. 18214.32 crore, an amount of only Rs. 5865 crore has been allocated at BE.   In this regard, the Department have submitted that the matter has been taken up with the Ministry of Finance time and again for allotment of additional funds under major schemes/projects under implementation in the Department. Considering that the Department are implementing some of the important Schemes like USOF (including NOFN), Network

for Spectrum (Defence Services), C-DoT, ITI Ltd. (Revival), NICF, TEC, WMO, etc. during 2016-17, the Department should continue with their efforts to get more allocation in the midst of the financial year.   At the same time, the Department should ensure that funds allocated under Plan schemes are optimally utilized to achieve the envisaged physical targets.

An overview of the 12th Plan

2.   One of the milestones set in the 12th Plan was to provide 175 million broadband connections by the year 2017.   Recent studies have shown that there is a positive correlation between proliferation of internet and mobile services with the growth of GDP of a country. The Committee note that broadband not only enables people to surf Internet, but also provides access to enormous knowledge bank, promotes efficient business operation, be better educated, have access to e-health services, and benefit from better governance. As per a study conducted by the Indian Council for Research on International Economic Relations (ICRIER), a 10 percent increase in growth of internet subscribers leads to an increase of as much as 1.08 percent in the rate of growth of GDP.   However, the position of India when compared with other developed countries of the world in terms of broadband connections is still very low. The Committee find that the number of broadband per 100 capita in 2014 was 170.80 in Finland, 157.20 in Denmark, 150.70 in Japan, 150.50 in Sweden, 136.10 in United Kingdom, and 128.30 in United States, whereas the number of broadband per 100 capita in 2014 for India was only 6.70. Another issue which has engaged the attention of the Committee relates to the extremely low broadband speed in the country. While South Korea has achieved broadband speed of 20.5 Mbps followed by Sweden with 17.4 Mbps, Norway with 16.4 Mbps and Switzerland with 16.2 Mbps, India stood at 116th place with 2.5 avg. Mbps connection speed. The Committee have been informed that the technologies available to provide broadband by wireless and wireline in the country are not lagging behind in comparison to other countries. According to the Department, both technologies in wireline and wireless are capable to deliver

broadband speed comparable to other countries in the world. To support high speed broadband network in the country, particularly in rural areas, NOFN/Bharatnet Project under implementation targets to cover 1 lakh Gram Panchayats (GPs) by March, 2017 and remaining 1.5 Lakh GPs by December, 2018. Under the project, upto 100 Mbps bandwith is to be provided in all the established 2.5 lakh GPS through creation of a highly scalable network. The Committee desire that the Department should complete the NOFN/Bharatnet Project within the scheduled time so that the nation can reap the benefit of efficient and quick services through enhanced broadband speed.

Implementation of USOF Schemes

3.   The Committee note that during the year 2015-16, under USOF, against an outlay of Rs.2400 crore at the BE Stage, an amount of Rs.3100 crore was allocated at the RE Stage.   The actual utilization up to February, 2016 was to the tune of Rs.2170.84 crore. The Committee note that two important USOF schemes being implemented are NOFN for providing OFC connectivity to 2,50,000 Gram Panchayats and Mobile connectivity in Left Wing Extremism (LWE) affected areas for setting up of 2199 towers in 10 States. For the year 2015-16, an amount of Rs. 848.43 crore was allocated at BE under NOFN which was increased to Rs. 2520.75 crore at RE and the actual utilization upto December, 2015 was only Rs. 1254.97 crore. Although some progress has been made in laying of pipe and OFC, only 5,655 Gram Panchayats have been provided with connectivity. The Department have stated that phase-I covering 1,00,000 GPs, is planned to be completed by March 2017. The Committee observe that significant progress has been made during 2015-16 in setting up towers in LWE affected areas. An amount of Rs. 100 crore was allocated at BE which was increased to Rs. 419 crore at RE and the actual utilization as on February, 2016 was Rs. 308.53 crore. Out of 2199 towers, 1557 towers have started radiation till March, 2016. It is now expected that most of the sites would be functional by June, 2016, while a few sites may take a longer time, i.e. till September, 2016, to comply with procedural formalities. For the year 2016-17, against the proposed amount of Rs.7350 crore, a

sum of only Rs. 2755 crore has been allocated for USOF. The reduced allocation is likely to affect implementation of NOFN and the LWE Scheme. The Committee can hardly overemphasize the importance of the NOFN Project in the context of the Digital India Mission of the Government, which is considered to be one of the critical pillars of this Mission. Hence, the Department can ill afford any delay in implementation of the NOFN Project on account of lack of adequate funds. The Department need to pursue the matter at the highest level with the Ministry of Finance. The Committee also recommend to the Department to pursue transfer of part of the Universal Access Levy (UAL) Fund - the balance as of February, 2016 stands at Rs.42932.84 crore - to USOF so as to make available the much needed funds for NOFN. The Committee would like to be apprised of the steps taken in this regard.

Revenue Receipts of the Department.

4.   The Committee note that the licence fee and the spectrum charges collected by the Department from the Telecom Service Providers are a major source of non-tax revenue to the Government of India. Under these items, the Department earned an amount of Rs.30693.58 crore in 2014-15 which increased to Rs. 54072.48 crore (pro. upto March, 2015) in 2015-16. For the year 2016-17, the Ministry of Finance (MoF) have set the target of Rs.98994.93 crore, which is inclusive of Rs.64580.92 crore as spectrum auction revenue. The Committee also note that in addition to this, the Department also earn revenue from other receipts, dividends from PSUs, Guarantee fees and pension contribution.   Under these items, the Department had earned Rs.940.70 crore during 2012-13, Rs.907.03 crore during 2013-14 and Rs.961.26 crore during 2014-15. The Committee are given to understand that there has been a loss of Rs. 12,489 crore to the exchequer due to the reported understatement of revenues by six telecom operators, including Airtel, Idea and Vodafone. In this context, the Department have informed that a special audit has been ordered for the six major Telecom Service Providers (TSPs) for the financial year 2008-09 to 2010-11. The Committee would like to be apprised of the precise position about understatement of

revenues by the TSPs, the amount recovered so far, and specific measures taken by the Department to plug loopholes in the system to make the TSPs accountable.

Submarine OFC connectivity between mainland India (Chennai) and Andaman & Nicobar Islands (ANI) (Port Blair)

5.   The plan to provide direct communication link through a dedicated submarine OFC from mainland India (Chennai Cable Landing Station) to Andaman & Nicobar Islands (Port Blair) was taken by the Planning Commission on 2nd May, 2014. The Committee note that satellite which is the only media providing telecom connectivity to the Island region is not able to meet the requirement. The basic objectives of implementing the project is not only to provide long term, secure, robust and reliable communication facilities to ANI, which will attend to the future bandwidth requirement, but also to cater to the strategic defence and security interests of the country. As per the Detailed Project Report (DPR) submitted by TCIL, the Technical Consultant, the Department have to lay 2164.23 km of undersea cable in a single phase to connect six islands with Chennai. The Capex requirement will be Rs.889.58 crore, whereas Opex in the form of viability gap funding is currently estimated at Rs.44.87 crore per annum. The project is targeted to be implemented by December, 2016. The Committee are of the view that it is an extremely important project which requires to be implemented in the right earnest. However, it is at a nascent stage and the same is yet to be approved by the Telecom Commission.   Considering the importance of the project, the Committee recommend that all necessary measures must be taken by the Department for getting the requisite approvals and a proper timeline prepared so that the project could be implemented at the earliest.

OFC Based Network for Defence Service

6.   The Committee note that this very vital and sensitive project of the Department had witnessed considerable delay in its implementation. While the Air Force network had been dedicated to the nation by 14th September, 2009, the Army and the Navy components were to be completed by December, 2012. As per the approval of

Cabinet Committee on Infrastructure on 3rd July, 2012, the project was to be completed by July, 2015 at an estimated cost of Rs.13,334 crore. The Committee have now been informed that the project is expected to be completed by September, 2017. The Committee note that approval of Right of Way (RoW), coordination with the State and Central agencies, delay in finalization of tenders due to litigation by various vendors and finalization of specifications have led to time and cost overrun. To ensure that the project is completed within the revised deadline, i.e. September 2017, monitoring and reviews in close coordination with the Armed Forces and sorting out RoW issues with State and Central agencies are being done, and that BSNL is making all out efforts to settle the cases and finalize the tenders. The Committee find that most of the Purchased Orders (POs) would be placed in 2016-17. The Committee are, however, concerned to note that during the year 2016-17, against the total requirement of funds to the tune of Rs.10000 crore, an amount of only Rs.2710 crore has been allocated at BE which is just 27.10 per cent of the amount required. The Committee are of the view that with this meager allocation, further time and cost overrun is inevitable and the project may not be completed by the designated deadline. The Committee, therefore, recommend that serious efforts must be made by the Department for requisite allocation of funds at the RE stage. The Committee may be apprised of the progress of execution of this project.

Telecommunication Engineering Centre (TEC)

7. The Committee have observed gross under-utilization of Plan funds under the Telecommunications Engineering Centre during the year 2015-16. An amount of Rs.4.75 crore was allocated at BE. This was reduced to Rs.1.50 crore at RE, mainly for pending payment of NGN &SAR lab and execution of civil and electrical works of the proposed labs. However, the amount could not be released for the purpose due to non-compliance of validation/testing by the suppliers; instead an expenditure of Rs.1,00,442 only has been made towards the civil works for Security lab. The Committee are of the considered opinion that the entire planning process of TEC

needs a thorough review by the Department. It is a matter of concern that out of 7 projects under implementation by TEC, the achievement under 6 projects has been shown as 'Nil'. The Committee note that TEC is implementing the important project for setting up of SAR laboratories for verification of SAR values of mobile handsets and hand held devices for compliance with Electro Magnetic Field (EMF) exposure limit prescribed by DoT, Security Lab to cater to telecom industry's need for security testing of various network elements and CPEs, EMF measuring instruments for TEM Cells for carrying out measurements of radiation level from various BTS towers, besides other import projects like NGN Test Lab, CPE Lab, Green Passport Lab and Regional Test Lab. It is disquieting that even the SAR Lab set up at Delhi has not been fully commissioned and the proposal for setting up the SAR Lab at Mumbai has been pending since 2012-13, with the project estimate (PE) yet to be approved. TEC has also not designated any lab for verification of SAR values of mobile handsets.   Though a few manufacturers have voluntarily provided the self- declaration in respect of SAR value for their selected models, no such self- declared SAR limit has been subjected to TEC audit. The Committee have now been informed that nine handsets were procured and tested for SAR value in the lab. The Committee are also given to understand that till date not even a single Security Lab has been set up in the country.

The Committee understand that for setting up SAR lab, fresh estimate has been prepared and the same is being processed for approval. Recognizing the requirement for security testing of telecom equipment inducted into telecom networks, a pilot lab has been set up at IISC, Bengaluru, for security testing of telecom equipment. This pilot lab is being scaled up with the establishment of the Telecom Testing and Security Certification Centre (TTSC) which includes a Security test lab which is likely to get commissioned by March 2017. Further, Notice Inviting Tender (NIT) for setting up of another Security testing lab at TEC New Delhi (under DOT) has already been floated. It is expected to be operational by the second quarter of 2017. The Committee have also been informed that based on the processes, procedures and test suites developed by

the TTSC, a proposal to have the accredited Security test labs in the Government, public and private sector is also under consideration. Considering that the country at present is heavily dependent on imported electronic/technical equipments, which need authentication to ward off possible security threats, the Committee are convinced that country should have accomplished SAR/Security Labs. However, to the dismay of the Committee, TEC has not been able to provide the nation the much needed infrastructure in this regard. The Committee urge the Department to seriously ponder over this issue and inform the Committee the specific progress made by TEC in respect of the above projects.

8.   Another area of major concern under TEC is the non-procurement of EMF measuring equipment for TERM Cells for carrying out measurements of radiation level from various BTS towers. The Committee note that tenders floated in 2012-13 & 2014-15 had got cancelled in 2013-14 & 2015-16 due to non-fulfillment of terms and conditions of the tenders by the bidders. As on date, TRRM Cells do not have their own EMF measuring equipment and they are relying on TSPs for logistic support for carrying out testing related to measurement of EMF radiations. The Committee are not inclined to agree with the view of the Department that EMF radiation measurement related testing is not getting hampered due to non-procurement of these equipment.   The Committee feel that availability of these equipment will definitely strengthen TERM cells to carry out this activity in a reliable and time bound manner. The Committee are now given to understand that tender has been floated for procurement of 69 EMF measuring infrastructure, 68 for TERM Cells and one for TEC. The Committee recommend that there should not be any further delay in procuring the EMF instrument and, as such, techno-commercial evaluation need to be approved by the Competent Authority at the earliest. The Committee would like to be informed of the progress made in this regard.

Wireless Monitoring Organisation

9.   The Committee have noted that an amount of Rs.16.50 crore has been allocated at BE during 2015-16 which was reduced to Rs.5 crore at the RE stage and the actual utilization was only Rs.3.98 crore. The main reason for reduction of funds from BE to RE was non-utilization of funds under the capital head as two major technical schemes (i) Procurement of six VHF/UHF mobile terminals for six new wireless monitoring stations & fixed HF terminals at the cost of Rs.51 crore, and (ii) Procurement of equipments as replacement for 5 nos. of Radio Noise Survey Units at the cost of Rs.5.5 crore could not be implemented during the financial year. The Committee would like to emphasize that six VHF/UHF mobile terminals & fixed HF terminals were to be procured for six WMSs set up at Bhubaneswar, Dehradun, Lucknow, Patna, Raipur and Vijaywada during the 11th Plan. However, the same has not been procured even now, i.e., after 4 years of the 12th Plan, mainly because of the delay in getting approval of the revised cost estimate. The Committee have now been informed that the competent authority had approved the required cost estimate of Rs.51 crore. However, since the approval was received in March, 2016, the scheme could not be implemented in the FY2015-16 and funds for the same have been surrendered at the RE stage. The scheme is now proposed to be executed in FY2016-17, subject to availability of budget. Considering that the WMS set up during the 11th Plan has been affected due to non-procurement of these equipment, the Committee recommend that priority should be accorded by the Department to procure the equipment so that the six WMSs could be made fully functional at the earliest. The Committee would like to be informed of the progress made in this regard.

10.   Another project under technical scheme is 'Procurement of equipment as replacement for 5 Radio Noise Survey Units (RNSU) at Delhi, Mumbai, Kolkata and Chennai'. RNSUs have been established to measure the radio noise prevalent in a particular frequency band in a region and also to determine the threshold level for the smooth functioning of the radio transmission/receiving system. Due to the

advancement of radio communication technology and proliferation of ratio communication services in the country, the challenges and complexities have increased tremendously in ensuring an interference-free radio environment in different service areas of the country. The Committee are deeply concerned that when the average life of wireless equipment is 7-8 years, the equipment supplied to RNSUs at Delhi, Mumbai, Kolkata and Chennai are more than 16 years old and that at the RNSU Hyderabad is 30 years old. The Committee are given to understand that the old equipment has limited frequency range, i.e., from 5Hz to 1000MHz and cannot be used for measurement beyond 1000 MHz where most of the modern day communication technologies are operating. In the Department's own submission, the equipment have become technologically obsolete; however, The Committee have been assured that WMO will make all efforts to complete the procurement of the Radio Noise Measuring Equipment in the financial year 2016-17. The Committee recommend that early action be taken to float tender and complete all the procedural formalities so as to ensure timely procurement of the equipment.

Bharat Sanchar Nigam Limited (BSNL)

11.   The Committee note that the BSNL has been incurring losses over the years and in the year 2015-16, the quantum loss was of the order of Rs.5,183 crore. Out of 49 telecom circles, only Kerala and Odisha have shown profit. The examination of the performance of BSNL has revealed that the market share of BSNL with regard to wireline, wireless and broadband services is also gradually declining. The market share of BSNL in wireline which was 67.69 percent during 2013, declined to 64.90 percent during 2014 and the share during 2015 was only 61.80 percent. In case of wireless, from 11.66 percent in 2013, the market share declined to 10.46 percent during 2014 and further declined to 7.92 percent during 2015. However, the most significant decline has been noted in broadband services (wireless & wireline). From having a market share of 66 percent in 2014, it drastically came down to 27.54 percent in 2014 and the market share of broadband services during 2015 was only 19.03 percent. The

Committee are of the view that the only measure which could have helped to arrest the increasing financial loss and the declining market share could have been through increasing the Plan expenditure of the Company. However, the Plan expenditure of the company has also been gradually declining. During 2012-13, BSNL had incurred Plan expenditure of Rs. 3354 crore, which was reduced to Rs. 3094 crore during 2013-14 and Rs. 3080 crore during 2014-15. The Department have now informed the Committee that under the GSM Phase VII, 9829 (3G) BTS and 12,491 (2G) BTS, have been commissioned against the planned target of commissioning 10,510 (3G) BTS and 14,232 (2G) BTS, leaving a balance of 681(3G) BTS and 1741(2G) BTS. A deadline of June 2016 has been set by BSNL for the completion of the GSM Phase VII project. The Department have also informed the Committee that Purchase Orders for Phase VII+ Project for installation of 9,600 (3G) BTS and replacing 5,300 old (3G) BTS have been placed by the telecom circles of South and North Zone, respectively, and equipment is under supply in the South Zone. An approximate capacity of 5 million shall be added in the GSM network of North Zone & South Zone. While hoping that that GSM-VII project would be successfully completed by June, 2016, the Committee stress that serious efforts must be made for the completion of Phase VII+Project in South and North Zone within the given deadline, i.e, by November 2016 in the South Zone and February 2017 in the North Zone. The Committee are of the view that the best way forward for the Company is to increase its Plan expenditure and upgrade its infrastructure. The Committee note that the projected revenue for the year 2016-17 is Rs.31,500 crore which is under finalization in consultation with the DPE. The Committee trust that utmost efforts will be made by the BSNL for achieving maximum sales turnover in the current fiscal.

Mahanagar Telcom Nigam Limited (MTNL)

12. The Committee note that the MTNL is under a serious debt burden of around Rs. 13528 crore (as on 28th February, 2016) and is borrowing money to meet its day to day requirements. As on 31.12.2015, the total accumulated loss of the company is

Rs. 2180.33 crore and Net worth is Rs.(-)112.91 crore. During the year 2013-14, the company had incurred a loss of Rs.742.72 crore which was reduced to Rs. 295.20 crore in 2014-15. The Committee have been informed that the balance for 2015-16 (Q3) will be Rs. 412 crore. The revenue earning of the company in 2015-16 upto 31 December 2015 was only Rs. 2562.84 crore which is 32.92 percent less than the total revenue earned during 2014-15. This was due to reduction in revenue on account of free termination w.e.f. 01.03.15 and change in tariff of Long Distance circuits w.e.f. 01.08.2014. With regard to the working expenditure, the Committee find that after excluding Rs. 963.37 crore and Rs. 821.13 crore of depreciation, the revised figure of working expenses for 2015-16 (Q3) will be Rs. 2975 crore. The Committee also note that the MTNL has been given various financial support by the Government. An amount of Rs. 4533.97 crore has been refunded to MTNL through bonds as refund of BWA spectrum in both service areas held by MTNL, and the fund raised has been utilized for reduction of the existing loan liability. Interest cost has reduced by Rs. 500 crore p.a. and debt by Rs. 4,533.97 crore. Settlement of Pension issue of MTNL employees has helped in reducing employee cost from 132 percent to around 69 percent of income. MTNL has also been extended financial support of Rs. 492.26 crore on account of liability arising from the levy of Minimum Alternate Tax (MAT) and Rs. 458.04 crore to MTNL is being refunded on account of surrender of CDMA (Code Division Multiple Access) spectrum. The Committee have been informed that as part of the revival plan, MTNL require refund of Rs. 2300 crore as interest on BWA Payments, Rs. 2000 Crore – Rs. 2500 crore as capex requirement of its projects for upgradation/expansion of networks; Rs. 4048 crore for VRS scheme; and monetization of surplus land and building by allowing MTNL to lease/sell/rent its available premises/lands for their effective and gainful utilization. It is a matter of concern that in spite of various financial assistances given by the Government, the MTNL is still facing difficulties to arrange/mobilize funds for developmental projects. The Committee recommend that efforts should be made by the Government to address

the above issues to revive the MTNL. The Committee may be informed of the steps taken by the Government in this regard.

Indian Telephone Industries (ITI) Limited

13.   The Cabinet Committee on Economic Affairs (CCEA) had approved a revival package of Rs. 4156.79 crore to ITI in February 2014 consisting of Rs. 2264 crore as equity for capital investments and Rs. 1892.79 crore as grant-in-aid to clear part of the liabilities of the company. Till date, MoF has released Rs. 851.02 crore against the approval of Rs. 4,156.79 crore. This comprises of an amount of Rs. 192 crore to meet capex requirements and Rs. 165 crore for payment of 39 months' pay revision arrears, to employees of ITI. In 2015-16, an amount of Rs. 173.02 crore to partially address statutory liabilities of the Company and another Rs. 321 crore to meet the establishment cost have been released to ITI. In BE-2016-17, an amount of Rs. 80 crore has been allotted for meeting capital expenditure requirements for revival of ITI and Rs. 545.79 crore for clearing statutory liabilities and meeting salary expenses of the company. On the status of utilization of Rs. 192 crore released during 2014-15, the Department, have stated that a major portion of this amount has already been utilized by the company for upgrading infrastructure at various manufacturing plants for implementing projects identified under the revival plan. The total capital expenditure is Rs. 104 crore as on 31.03.2016. This has helped ITI in establishing one line of High-density polyethylene (HDPE) Pipe manufacturing in Raebareli plant; component Screening laboratory for Vikram Sarabhai Space Center (VSSC) which will be used for the testing of electronic components required for the assembly of satellite launch vehicles; facility for addressing IP based Managed Leased Line Networks and Smart Card manufacturing at Palakkad; major investment has been made for increasing the manufacturing capability for high speed encryption equipment required for Defence in Bangalore plant, etc. Using this added infrastructure, Bangalore plant has addressed one major tender of Defence ASCON Network and two major tenders of Defence for the supply of encryption products and is hopeful of getting more orders. The Committee note that in view of the huge requirement of this product in projects

like Network for Spectrum (NFS), National Optical Fibre Network (NOFN), Army Static Switched Communication Network (ASCON), etc. the company is planning for more such lines in Raebareli as well as in Palakkad plants. The Committee are glad to know that during 2015-16, the company has achieved a turnover of Rs. 1252 crore mainly from the execution of projects like NFS, NPR and GSM projects and the amount is more than double of the turnover achieved during 2014-15. The revenue target of ITI for the year 2016-17 is Rs. 2600 crore. The Committee believe that this achievement is a positive indicator towards the revival of the company. The Committee recommend that the matter of allocation of requisite funds to ITI should be continuously pursued by DoT with the MoF while at the same time taking all necessary measures to effectively utilize the amount allocated. The Committee also recommend that ITI should continue to make efforts to get more work orders in the coming years. In this regard, the proposal for extension of the Procurement Quota policy for a period of two years under which ITI would be able to get 30 percent of the procurement orders to be placed by BSNL, MTNL and BBNL should be forwarded to CCEA at the earliest.

Review of functioning of Telecom Advisory Committees (TACs)

14.   The Committee note that TACs are constituted in each Telecom District under the Chairmanship of the Principal General Manager (PGM), General Manager(GM), Telecom District Manager (TDM) or Telecom District Engineer (TDE), as the case may be. In the case of Metro Districts, *viz.* Delhi, Mumbai, Kolkata and Chennai, one TAC each is being constituted under the Chairmanship of the Area General Manager concerned. All the Hon'ble M.P.s (Lok Sabha and Rajya Sabha) who are not Union Ministers are members of TAC and are given the co-Chairman status in TAC meetings. The maximum strength of members in a TAC is 20; however, the strength could be revised through specific orders of the Department of Telecommunications in any special case.   The Committee have been informed that all the 358 TACs (342 in BSNL and 16 in MTNL) have been re-constituted across the country for a period of two years, w.e.f. 01.09.2014 or till further orders, whichever is earlier. The basic functions

of TACs are to act as an interface between telephone consumers and BSNL/MTNL, give the public the confidence that their grievances are properly represented as well as redressed, educate public/bring awareness among telephone consumers about various services provided by BSNL/MTNL, and to suggest measures for efficiency. However, the Committee note from the information provided by the Department that the performance of the present term of TACs is far from satisfactory. When so many problems are being faced by the customers relating to the services provided by the BSNL and MTNL, the Committee are concerned to note that after one year and six months of the constitution of TACs, only 656 sittings of TACs have been held in BSNL and 33 sittings in MTNL, an average sitting of 1.91 and 2.06, respectively. In the BSNL area, maximum number of 3 sittings each have been conducted by 60 TACs, and 9 TACs have conducted no sitting at all. With regard to MTNL, the maximum number of 3 sittings have been conducted by 1 TAC, and 15 TACs have conducted only 2 sittings each. Since the term of one TAC is only for two years or till further orders, whichever is earlier, the present term of TACs will end by 01.09.2016, the Committee will like to know the reasons for holding such limited number of sittings of TACs and the follow up action taken. The Committee are of the view that the TACs have an important objective to fulfill to suggest measures to improve the efficiency of BSNL and MTNL, and to help change people's perception and improve service delivery by the two PSUs. In this regard, the Committee recommend that more TACs sittings should be held by BSNL and MTNL followed by proper implementation of the decisions taken during the sittings. The Committee desire that Members of Parliament may be provided Chairman's status in TAC meetings for its better functioning. This issue needs to be resolved by the Department and the Committee may be informed of the action taken in this regard.

<u>Virtual Network Operators (VNOs)</u>

15.   The Committee note that the Telecom Commission had approved a long-pending proposal on Virtual Network Operators (VNOs). The Committee have been informed that VNOs are companies that provide telecom services such as voice, data

and video services without owning spectrum or network infrastructure, within a licensing framework. VNOs rely on the network of other telecom companies to provide services to consumers. Typically, a VNO buys bulk talk time and bandwidth from an operator and then sells it to the users. It can provide any or all the services that are being provided by the network operator. VNO is envisaged in National Telecom Policy-2012. The Department have cited some of the advantages of VNOs such as improving telecom connectivity in small towns and rural areas using the network of the existing Network Service Operators(NSOs) having unutilized capacity or by last mile connectivity. Developers of structurally defined areas like airports or buildings or smart cities, where it is not practical for TSPs to plan and lay their infrastructure, may become a VNO and lay the infrastructure which can be connected to a NSO's network. Similarly, the Indian railways and Delhi city which want to make their areas Wi-Fi enabled can become VNOs and provide services according to the needs of customers and design innovative tariff plans to suit customers' needs. Small entrepreneur as VNO may provide telecom services in rural areas where many network service operators have unutilized capacity. Cable TV operators can act like a VNO and provide cable TV, Broadband and voice services. Presently, cable TV operators are not keen in the present licensing regime because of regulatory and licensing issues. The Committee note that VNOs shall be a company registered in India; Entry Fee will be 50% of Unified Licences; all Service permitted under UL can be given by VNO; and, Licence Fee @8% of Adjusted Gross Revenue(AGR) & Spectrum Usage Charges as being paid by NSO is payable by VNO. However, as things stand toady, no license has been issued yet and formulation of Guidelines and license agreement for VNO is under process. The Committee would like to be apprised of further progress in this direction.

ANURAG SINGH THAKUR
New Delhi   *Chairperson*
02 May, 2016   **Standing Committee on**
12 Vaisakha, 1938 (Saka)   **Information Technology**

STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2015-16)

MINUTES OF THE NINTH SITTING OF THE COMMITTEE

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The Committee sat on Monday, the 2nd May, 2016 from 1500 hours to 1530 hours in Committee Room 'B', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT
Shri Anurag Singh Thakur– Chairperson

MEMBERS

Lok Sabha

2.   Dr. Sunil Baliram Gaikwad

3.   Shri Keshav Prasad Maurya

4.   Dr. (Smt.) Bhartiben Dhirubhai Shiyal

5.   Shri D.K. Suresh

6.   Shri Ramdas C. Tadas

Rajya Sabha

7.   Shri Salim Ansari

8.   Smt. Jaya Bachchan

9.   Shri Meghraj Jain

10. Shri Santiuse Kujur

11. Shri Derek O'Brien

12. Dr. K.V.P. Ramachandra Rao

Secretariat

1.   Shri K. Vijayakrishnan   -   Additional Secretary

2.   Shri J.M. Baisakh   -   Director

3.   Dr. Sagarika Dash   -   Deputy Secretary

4.   Shri Shangrieso Zimik   -   Under Secretary

2.   At the outset, the Chairperson welcomed the Members to the sitting of the Committee convened to consider and adopt Draft Reports on 'Demands for Grants (2016-17)' relating to the Ministries/Departments under their jurisdiction. Thereafter, the Chairperson gave a broad overview of the important observations/Recommendations contained in the Reports.

3.   The Committee, then, took up the following draft Reports for consideration and adoption.

(i)   xxx…xxx…xxx…xxx;

(ii)   Twenty-fourth Report on Demands for Grants (2016-17) Ministry of Communications and Information Technology (Department of Telecommunications);

(iii)   xxx…xxx…xxx…xxx; and

(iv)   xxx…xxx…xxx…xxx

4.   The Committee, thereafter, adopted the above Reports without any modification.

5.   The Committee, then, authorized the Chairperson to finalize the draft Reports arising out of factual verification, if any, and present the Reports to the House during the current session of Parliament.

The Committee, then, adjourned

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xxx Matters not related to the Report.