

**MANAGEMENT OF SATELLITE CAPACITY FOR
DTH SERVICES BY DEPARTMENT OF SPACE**

[Action Taken by the Government on the Observations/Recommendations of
the Committee contained in their Fortieth Report (16th Lok Sabha)]

DEPARTMENT OF SPACE

**PUBLIC ACCOUNTS COMMITTEE
(2016-17)**

SEVENTY-FIRST REPORT

SIXTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

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PUBLIC ACCOUNTS COMMITTEE
(2016-17)

(SIXTEENTH LOK SABHA)

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DEPARTMENT OF SPACE



Presented to Lok Sabha on:

11.4.2017

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11.4.2017

**LOK SABHA SECRETARIAT
NEW DELHI**

April, 2017 /Chaitra, 1939 (Saka)

CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2016-17)	(iii)
INTRODUCTION	(v)

REPORT

CHAPTER I	Introductory	1
CHAPTER II	Observations/Recommendations of the Committee which have been accepted by the Government	15
CHAPTER III	Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government	18
CHAPTER IV	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration	19
CHAPTER V	Observations/Recommendations in respect of which the Government have furnished interim replies	32

APPENDICES

- I. Minutes of the Sitting of the Public Accounts Committee (2016-17) held on 6th April, 2017
- II. Analysis of the Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Seventy-Fourth Report (Sixteenth Lok Sabha)
- III. Annexures

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2016-17)**

Prof. K.V. Thomas - Chairperson

MEMBERS

LOK SABHA

2. Shri Sudip Bandyopadhyay
3. Shri Prem Singh Chandumajra
4. Shri Nishikant Dubey
5. Prof. Richard Hay
6. Shri Gajanan Chandrakant Kirtikar
7. Shri Bhartruhari Mahtab
8. Smt. Riti Pathak
9. Shri Neiphiu Rio
10. Shri Janardan Singh Sigriwal
11. Shri Abhishek Singh
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar C. Udasi
15. Dr. P. Venugopal

RAJYA SABHA

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. * Shri Bhupender Yadav
19. Shri Bhubaneswar Kalita
20. Shri Shantaram Naik
21. Shri Sukhendu Sekhar Roy
22. Shri Ajay Sancheti

SECRETARIAT

1. Shri A.K. Singh - Additional Secretary
2. Shri S.C. Chaudhary - Joint Secretary
3. Shri T.Jayakumar - Director
4. Smt. Bharti S. Tuteja - Deputy Secretary
5. Shri Deepankar Kamble - Committee Officer

* Elected w.e.f. 09.08.2016 vice Shri Vijay Goel, MP appointed as Minister of State w.e.f. 05.07.2016.

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2016-17), having been authorised by the Committee, do present this Seventy-First Report (Sixteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Fortieth Report (Sixteenth Lok Sabha) on '**Management of Satellite Capacity for DTH Services by Department of Space**' relating to the Department of Space.

2. The Fortieth Report was presented to Lok Sabha/laid in Rajya Sabha on 26th April, 2016. Replies of the Government to the Observations/Recommendations contained in the Report were received on 22nd September, 2016. The Public Accounts Committee considered and adopted the Report at their sitting held on 6th April, 2017. Minutes of the Sitting are given at Appendix-I.

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

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

5. An analysis of the Action Taken by the Government on the Observations/Recommendations contained in the Fortieth Report (Sixteenth Lok Sabha) is given at Appendix-II.

NEW DELHI;
6th April, 2017
16 Chaitra, 1939 (Saka)

PROF. K.V. THOMAS
Chairperson
Public Accounts Committee

CHAPTER – I REPORT

This Report of the Public Accounts Committee deals with Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Fortieth Report (Sixteenth Lok Sabha) on “**Management of Satellite Capacity for DTH Services by Department of Space**” based on the C&AG's Report No. 22 of 2014 (Performance Audit) relating to the Department of Space and Ministry of Information & Broadcasting.

2. The Fortieth Report (Sixteenth Lok Sabha), which was presented to Lok Sabha/laid in Rajya Sabha on 26 April, 2016, contained 15 Observations/Recommendations. Action Taken Notes in respect of all the Observations/Recommendations have been received from the Department of Space and Ministry of Information & Broadcasting and these have been categorized as under:

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

Paragraph Nos. 1, 11,13, 14 and 15

**Total: 05
Chapter- II**

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

-NIL-

**Total: 00
Chapter- III**

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

Paragraph Nos. 2, 3, 5(i), 5(ii), 5(iii), 6(i), 6(ii), 9, 10 and 12

**Total: 07
Chapter- IV**

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

Paragraph Nos. 4, 7 and 8(i), 8(ii)

**Total: 03
Chapter- V**

3. The Action Taken Notes furnished by the Department of Space and Ministry of Information & Broadcasting on the Observations/Recommendations of the Committee contained in their Fortieth Report (Sixteenth Lok Sabha) have been reproduced in the relevant Chapters of this Report. In the succeeding paragraphs, the Committee have dealt with the Action Taken by the Government on some of their Observations/Recommendations which either need reiteration or merit comments.

1. **Satellite Capacity not earmarked by ICC**
(Recommendation Para No. 2)

4. The Committee had noted that the INSAT Coordination Committee (ICC), a high level multi departmental decision making body, consisting of Secretaries of Department of Space, Department of Economic Affairs, Department of Telecommunications, Ministry of Information & Broadcasting, Department of Science & Technology and Department of Information & Technology was responsible for coordinating and monitoring the implementation of space and ground segments of INSAT projects. However, the Committee noted with serious concern that the ICC was not convened after June 2004 and was reconstituted after a lapse of 7 years in May 2011. The Committee observed that the DoS flouted the norms under SATCOM policy by allocating transponder capacities on three satellites to DTH service providers without convening ICC meetings which was responsible for earmarking satellite capacity for Non-Government users. The Committee noted from the reply of DoS that members of ICC were informed about the above mentioned arrangement in meetings of Technical Advisory Group (TAG), a technical Sub-Committee of the ICC. The Committee opined that ICC had been mandated to earmark the satellite capacity for Non-Government users and therefore, only informing the members of ICC during a Sub-committee meeting showed the callousness of the DoS towards the high level decision making authority. The Committee were of the strong view that the DoS did not follow the prescribed procedure and exceeded its sphere by taking unilateral decisions bypassing the mechanism on issues which were beyond its expertise. The Committee exhorted the DoS to regularly convene the ICC meetings which was required as per norms or leasing of transponder capacity on Indian satellites since allocating satellite capacity was a sensitive issue having financial implication on the revenues of the Government. The Committee desired to be apprised of the reason for

not convening the ICC meetings, taking unilateral decisions bypassing the system and the punitive action taken within three months of the presentation of this Report.

5. The Ministry in their Action Taken Notes have stated as under:

"It is submitted that as per the Government Rules of Business, the Department of Space is the administrative ministry in respect of the satellite systems. The Department hereby assures that it has always acted in a highly responsible manner in line with the approved mandate. The Department has always kept an open channel communication with the other associated departments like DoT and Mol&B in the past and will continue to do so in future. With regard to assigning transponder capacity for DTH services and the Department's compliance to the Government guidelines, a detailed note of the establishment of ICC and its transformation over the years is at Annexure. The Ministry submitted that:

(i) Based on the delegated powers of the ICC, the Department handled the functions of managing DTH capacity allotments;

(ii) Cabinet approved norms and guidelines have accorded adequate power to the Department to administer transponder leasing function; and

(iii) The Department kept a formal communication arrangement with Mol&B for each DTH case as agreed in the 67th meeting of the ICC.

It is also brought to the notice of the PAC that:

(i) The Technical Advisory Group (TAG) of ICC, an inter-departmental group of senior officers was functional during June 2004 to December 2008;

(ii) Apex Committee of DoT, an inter-departmental group was functional for handling interactive communication licensing;

(iii) Formal communication mode between DoS and Mol&B was active for all activity related broadcasting communications like DTH service providers.

To further clarify that the Department followed a due consultation process with Mol&B and adhered to the procedures, it may be noted that in the 67th meeting of the ICC held on 7th October, 2002, under Agenda No.5 'Procedure for INSAT capacity utilization for private telecom operator', Secretary, Ministry of Information and Broadcasting stated that all applications for TV uplinking and space segment requirements are being forwarded to DOS for clearance before licenses are issued'. Therefore, it may be seen that the Department has not taken a unilateral decision and has followed the system of consulting other departments through formal communications with regard to allotment of transponders for DTH services and performed actions as delegated by ICC. The direction of PAC to convene the ICC meetings regularly is being carried out. The ICC meetings are being convened regularly as and when required. In

view of the above justification, the submission of the Department may be considered favorably."

**1 (a). Role of the Mol&B in the allocation of satellite capacity
(Recommendation Para No. 3)**

6. The Committee highlighted the fact that since DTH being a broadcasting service, it came directly under the purview of Ministry of Information and Broadcasting (Mol&B) as it was responsible for all matters relating to broadcasting in the country. According to the SATCOM policy, all allocations were made by DOS with the approval of the ICC. Also, being a member of the ICC, Mol&B was also involved in satellite capacity allocation. Since the ICC was not convened, Mol&B and other members were inadvertently left out of the decision making process. The Committee were shocked to note the lackadaisical approach of the Ministry of Information & Broadcasting as it remained a mute spectator while DOS was flouting norms by directly allocating satellite capacities and the Mol&B even did not bother to intervene for convening the ICC of which it was a member. The Committee were of the view that it was high time that the different wings of the Government of India be proactive in their approach and keeping in view the national interest, coordinate properly for taking decisions which were crucial both commercially and strategically. The Committee recommended that the Ministry as well as DOS make sincere and concerted efforts to convene the ICC meetings regularly so that all the relevant stakeholders were involved in the sound planning for allocation of transponder capacity thereby paving way for a more transparent approach which could help in rebuilding of trust and faith of DTH service providers in the DOS and the Ministry.

7. The Ministry in their Action Taken Notes have stated as under:

"It may be noted that allocation of transponder capacity by the Department was made in accordance with the directives of the ICC as explained in detail in answer to Para No.2. It may further be noted that Mol&B is a member of the ICC and fully aware of the formal mechanism as part of the ICC deliberation in the 67th meeting of the ICC (7th October, 2002) that 'All applications for TV uplinking and space segment requirements are being forwarded to DOS for clearance before licenses are issued'. The procedure followed and the coordination between Mol&B and the Department are as explained in Annexure-2. From this it is clear that there is constant interaction and coordination between the Department and Mol&B from allotment of transponder capacity to issue of DTH license. This coordination is central to the operation of DTH services. The direction of PAC to convene the ICC meetings regularly is being carried out. The ICC meetings are being convened regularly as and when required. The recommendation of the PAC has also been communicated to Mol&B".

8. The Committee in their original Report had noted that, in violation of SATCOM Policy, during the period from June, 2004 to May, 2011 when the ICC was not convened even once, DoS allocated three DTH satellites to non-Government users without the approval of ICC. The Committee had desired to be apprised of the reason for not convening the ICC meetings, taking unilateral decisions bypassing the system and initiating punitive action within three months of the presentation of the Report. The Committee note from the reply of the DoS that transponder capacity for DTH services were assigned on the basis of (i) the Department handled the functions of managing DTH capacity allotments through delegated powers of the ICC; (ii) powers to the Department to administer transponder leasing function as per Cabinet approved norms and guidelines; and (iii) formal communication arrangement with MoI&B for each DTH case as agreed in the 67th meeting of the ICC. The Committee, however, find that as per para 2.6.2 of the SATCOM Policy approved by the Union Cabinet in 2000, "the norms, guidelines and procedures for implementation of the policy frame-work for satellite communications in India" envisaged that once capacity is earmarked by ICC for non-governmental users, Department of Space/INSAT is authorised to provide this capacity to the non-governmental users for services other than telecommunications, following its own procedures. The Committee are disappointed to note that DoS/INSAT conveniently overlooked the prescribed norms and instead of convening the inter-departmental Secretary level meetings, took unilateral decisions. The Committee, further, note from the reply of the DoS that it has always kept an open channel communication with the other associated Departments like DoT and MoI&B. The Committee are of the view that interactions, even if formal, between the officials of DoS and MoI&B during the said period is entirely different from that of a decision taken in the meeting of ICC consisting of Secretary level officers of the concerned Departments as stipulated under SATCOM Policy. The Committee while finding no merit in DoS' contention that it acted based on the "delegated powers" of ICC and opine that it cannot overrule the norms prescribed in SATCOM Policy. The Committee, therefore, reiterate their earlier observation that DoS did not follow the prescribed procedure and exceeded its sphere by taking unilateral decisions bypassing

the mechanism on issues which were beyond its mandate and would like to be apprised whether any punitive action has been taken in this regard.

The Committee further observe from the reply of the DoS that Mol&B is a member of the ICC and fully aware of the formal mechanism as part of the deliberation in the 67th meeting of the ICC that "all applications for TV uplinking and space segment requirements are being forwarded to DoS for clearance before licenses are issued". The Committee are of the considered view that forwarding of all applications for clearance is again different from allocating satellite capacity without earmarking for non-governmental users by the ICC. The Committee while noting that Mol&B has not submitted its action taken reply on the observation of the Committee, reiterate their earlier recommendation that all the stakeholders be involved in the sound planning and judicious decision for allocation of transponder capacity, paving way for a more transparent approach which would help in re-building of trust and faith of DTH service providers in the DoS and the Ministry.

The Committee while noting from the reply of the DoS that the ICC meetings are being regularly convened as and when required desire to be apprised of the total number of meetings held after 2011 and the capacity earmarked by the ICC for allocation to non-governmental users.

II. Out of Turn Allocation of Satellite Capacity [Recommendation Para No. 5(i)]

9. The Committee noted that while Tata Sky was fifth in order of preference of satellite capacity allocation, it was granted precedence on INSAT-4A and given exclusive rights at the prime slot of 83 degrees east in December 2005 superseding Doordarshan (DD) which was later allocated capacity on INSAT-4B launched in January 2007. The Committee further noted from the submission of DoS that DD was allocated satellite capacity on a foreign satellite before allocation of capacity to Tata Sky on INSAT-4A and DD migrated to INSAT-4B at the end of the contract period. The Committee were shocked to note that the national broadcaster was allocated capacity on a foreign satellite and then a private broadcaster was given exclusive rights on INSAT-4A. The Committee observed that the national broadcaster being the first in precedence should have been given preference on Indian satellite being a free to air service accessed by

majority of population across India and also has an obligation towards the citizens of this country. The Committee noted with dismay that the charges paid to a foreign satellite for usage by Doordarshan was a wasteful expenditure, more so, since Tata Sky could not be retained on INSAT-4A in addition to the revenue forgone fearing litigations by Tata Sky, taking advantage of its first right of refusal. The Committee desired to be apprised of the reason for apparent favoritism towards Tata Sky and further desired that punitive action may be taken against all those responsible for the same.

10. The Ministry in their Action Taken Notes have stated as under:

"The Department submits that Tata Sky was not given preference over Doordarshan. The details of transponder allotment for DTH services during the initial period are summarized in Annexure-3 with a brief. From the same, it is clear that Doordarshan started their test services in a foreign satellite during June 2004. During this period, the INSAT/GSAT system did not have high power Ku band satellites. The decision to start the DTH services was taken by Doordarshan. After examining the options of starting DTH services in INSAT-4A satellite (Annexure-4). ICC has also noted this decision in its 68th meeting held on 17th June, 2004 (Annexure-5). Through the submissions made earlier as well as through Annexure-4 & 5, it is clear that Doordarshan was not superseded but instead, the Department helped them to start the DTH services as per their request. Therefore, it is submitted that there was no favoritism towards M/s Tata Sky. In view of the above justification, the submission of the Department may be considered favorably."

11. The Committee note from the reply of the DoS that Doordarshan (DD) started their test services for DTH on a foreign satellite during June 2004 as the INSAT/GSAT satellites did not have high power Ku band transponders. The Committee are dismayed to note that DoS could not meet the demands of even the national broadcaster and failed miserably to have a sound planning and adequate strategy in timely developing INSAT/GSAT satellites with Ku band transponders resulting in even the existing private channel (Tata Sky) migrating from INSAT-4A to a foreign satellite. Further, the Committee had noted that that DD was allocated satellite capacity on a foreign satellite before allocation of capacity to Tata Sky on INSAT-4A and DD migrated to INSAT-4B at the end of the contract period. The Committee further note that from the reply of DoS that in July 2004, Dish TV was allotted capacity on foreign satellite, NSS-6 in lieu of INSAT-3A and in June 2004, DD was also given capacity on the same foreign satellite. The Committee wonder when INSAT-3A's capacity was

to be freed within a month then why it was not considered for allocation to DD thereby painting a poor picture on the Department's satellite capacity management. Further, the DoS has not responded to the observations of the Committee regarding the allocation of capacity to Tata Sky despite being fifth in order of preference. The Committee would like the matter to be thoroughly investigated through an appropriate agency and apprised of the outcome thereof.

III. Grant of Exclusive Rights over Prime Orbital Slots
[Recommendation Para No. 5(ii)]

12. The Committee noted with much concern that Tata Sky had a very advantageous position over other DTH service providers as it had the exclusive first right of refusal for using Ku band transponders at 83 degrees east. Due to this, Ku band transponders of GSAT-10 could not be allocated to any other DTH service providers and remained idle thereby causing a loss of ₹ 60 crore per year to the exchequer and wondered why Tata Sky was given preferential treatment over others. The Committee were shocked at such preferential treatment shown by DoS for a private company and, therefore, desired that an enquiry may be conducted into the transaction, stern action may be taken against those found guilty and apprise the Committee within three months of the presentation of this Report.

13. The Ministry in their Action Taken Notes have stated as under:

"INSAT-4A was the first high-power satellite realized by the Department and it was new technology to the Department. It may be noted that inspite of technology denial regime and increasing domestic demand of realizing high power transponders for DTH services, the Department made a good effort to realize the satellite. In a scenario wherein multiple high power satellites were available over India, the Department not only realized the first high-power satellite INSAT-4A, we could attract a user in the form of M/s Tata Sky for a firm commitment of a long period without even going through in-orbit performance. It may also be noted that though M/s Tata Sky approached the Department for transponder allotment in August 2002, the services started only after the realisation of INSAT-4A in December 2005. From the above submission, it is clear that the Department not only achieved the realisation of high-power Ku-band satellite INSAT-4A under technology denial regime, it could also attract a long term customer without superseding Doordarshan. It was a challenge for the Department to prove that indigenous satellite in the highly performance specific DTH sector is accepted by the DTH industry through a user like M/s Tata Sky. In view of the facts provided in Annexure-3 & Annexure-4, the submission of the Department may be considered favourably.

A Committee is being constituted by the Department and the recommendation of the Committee will be suitably addressed."

14. The Committee are extremely displeased that despite their recommendation for conducting an enquiry in the matter and taking action against the guilty within a period of three months, the Ministry is now setting up a committee. The Committee hope that the said committee will conduct a detailed enquiry in the matter to bring out the truth and to take punitive action against those found responsible. The Committee are also unhappy with DoS for non-furnishing of information relating to the conduct of an enquiry in to the grant of exclusive right over the prime slot of 83 degree east to Tata Sky and to take stern action against the guilty persons within three months of the presentation of the Fortieth Report. This submission indicates the callous attitude and approach of the Department towards the recommendation of a Parliamentary Committee. Re-iterating their earlier recommendation, the Committee, therefore, earnestly desire that the Department take cognizance of the seriousness of the matter and expeditiously take action against the guilty and furnish all the information desired by the Committee within three months of the presentation of this report.

IV. Outstanding dues from back to back agreements
[Recommendation Para No. 6(ii)]

15. The Committee noted that DoS arranged foreign satellite capacity to Indian DTH service providers for short term period through Antrix as a temporary measure to ensure that the service could be brought back to INSAT system when Indian satellite capacity was eventually available. DoS entered in back to back agreements for Dish TV, SUN DTH, Airtel, Reliance and Videocon. The transponder lease charges to the tune of ₹ 62.55 crore remained to be recovered from these parties. The Committee further noted that till March 2014, an amount of ₹ 57.17 crore was recovered and the balance ₹ 5.38 crore was still to be collected. The Committee observed that Antrix did not follow the conditions of the transponder lease agreements by not collecting money in advance thereby extending undue favor and resultant accumulation of transponder lease charges. The Committee desired to be informed about the action taken by DoS to collect the outstanding amount of ₹ 5.38 crore. The Committee felt that satellite capacity allocation contributed a handsome

amount of revenue to the government treasury, and DoS faltering in administering established rules and procedures leading to the flow of revenue was totally unacceptable. The Committee further desired that DoS ensured the compliance of all terms of the agreements and in the instant case to see that if liquidated damages/penalties could be imposed on Antrix for non-compliance of the terms. The Committee also recommended that erring officials be identified and accountability be fixed on them by means of punitive action and also a thorough investigation be done by agencies such as CBI, DRI, ED etc to further probe the matter and bring the guilty parties to justice.

16. The Ministry in their Action Taken Notes have submitted as under:

"The following factual information is brought to the kind attention of the PAC:

(i) In all the back-to-back contracts entered into by Antrix in respect of DTH capacity, the money is paid to foreign operators only on receipt of the same from the users;

(ii) DTH operators have submitted security deposit in the form of a bank guarantee equivalent to 3 months of space segment charges as per the terms of the respective agreements;

(iii) In the case of back-to-back agreements, there is no loss to the Department since the transponder capacity is leased by Antrix and payment is made to the foreign supplier only when the end users pay the lease charges to Antrix. No loss has been incurred by the Department in any of these transactions;

(iv) As on date, ₹ 5.38 crore as referred to has been collected.

A system of checks and balances will be built so as to ensure that dues are collected in time from users.

A Committee to look into the subject matter is being constituted and its recommendation will be addressed by the Department."

17. The Committee highlight the fact that the Department, time and again, has been deviating from the established policies framed for effective management of satellite capacities on foreign as well as Indian satellites and re-iterate their earlier observation that the Department did not collect money in advance for transponder lease agreements which point towards the Department's undue favour towards private entities and resultant accumulation of dues. The Committee feel that deviation from financial propriety directly

hurts the interests of the exchequer and favouring private entities by the DoS. The Committee insist that a robust system of internal control should be established while making financial transactions and desire that SOPs in this regard may be issued urgently. They desire to be apprised of the findings of the committee proposed to be constituted to look into the matter.

**V. Loss due to non-revision of transponder charges
(Recommendation Para No. 7)**

18. The Committee noted that DTH transponder lease agreements had a lease period from 5 to 10 years with no provision for revision of prices whereas lease agreements with foreign satellites ranged from 1 to 6 years with provision for price revision from 5 to 33%. The lack of such basic provisions resulted in revenue forgone to the tune of ₹ 36.17 crore. The Committee were displeased with such poor terms of agreements where even a simple provision for price revision at regular intervals was not included. The Committee desired that such agreements be reviewed and reframed to include sound/prudent financial terms in the interest of the exchequer. The Committee exhorted the DoS to fine tune their marketing strategies to attract and retain service providers as well as to bring back those DTH service providers using foreign satellites back to INSAT/GSAT systems. The Committee impressed upon the Ministry that the service providers be charged at the competitive rates and preferably the lease term be also uniform for everyone ensuring level playing field across the DTH sector thereby leading to more transparency and healthy competition. The Committee further desired that the DoS set up an inquiry to look into the lease agreements with various parties and take stringent action against those responsible for agreeing to terms that were against the interests of the exchequer and apprise the Committee of the action taken within three months.

19. The Ministry in their Action Taken Notes have submitted as under:

"The Department submits the following key factors with regard to non-revision of prices for transponders for the kind consideration of the PAC:

- (i) Lease agreements with foreign satellites are entered for a short term in order to make a provision for the end user to migrate the services from foreign satellite to the Indian satellite. This approach is in line with the recommendation of the Cabinet approved 'Norm, guidelines &

procedures for implementation of the policy framework for satellite communication in India';

(ii) As the foreign operators quote lease charges in dollar terms, differential charges among indigenous capacity and foreign lease is unavoidable due to currency fluctuations and withholding taxes. However, the Department will work towards a scenario wherein the best possible solution for DTH services will be arrived at.

It is submitted by the Department that a technical strategy to retain DTH services in the indigenous INSAT/GSAT system as well as to migrate DTH services from foreign satellite system to indigenous system is under formulation.

A Committee to look into the subject matter is being constituted and its recommendation will be addressed by the Department."

20. The Committee are dismayed to note that despite their recommendation to set up an inquiry by the DoS to look into the lease agreements with various parties and take stringent action against those responsible for agreeing to terms that were against the interest of the exchequer and apprise them of the action taken within three months of the presentation of Fortieth Report (16th Lok Sabha), DoS has not initiated any action, as yet. Instead, DoS has submitted that the lease agreements with foreign satellites were entered for a short term period and to examine periodic revision clause, a committee would be constituted. This is yet another manifestation of the Ministry's continued lackadaisical approach in tackling the issue and subsequent loss being suffered by the exchequer due to non-revision of transponder charges and non-reduction of period of lease agreements. Further, the policy to retain DTH services in the indigenous INSAT/GSAT satellite system as well as to migrate DTH services from foreign satellite system to indigenous system is still under formulation. The Committee reiterate that the price revision clause should be incorporated in all the transponder lease agreements which extends beyond one year irrespective its entire term. The Committee, therefore, reiterate their earlier recommendation that the service providers be charged at competitive rates and the lease term should also be uniform for everyone ensuring level playing field across the DTH sector thereby leading to more transparency and healthy competition and further desire that the Committee be apprised of the action taken in this regard.

VI. Allocation of Bonus Time
[Recommendation Para No. 8(ii)]

21. The Committee noted that DoS had allowed bonus free period of 1.5 months to Sun DTH which resulted in a benefit of ₹ 3.56 crore to Sun DTH. The Committee found the reply of the DoS untenable that Standing Committee of the DoS had taken such a decision as Sun DTH could not get regulatory clearances from Network Operating Control Centre(NOCC)/DoT for uplink in first three months. The Committee further noted that DoS demand for payment for the bonus free time earlier ended in Sun DTH, initiating arbitration proceedings and bringing out an injunction from the Hon'ble Madras High Court. The Committee were of the measured view that the Government collectively was responsible for such a situation wherein DoS had to bear costs to save the commercial interests of the service providers for retaining them. The Committee, therefore, recommended that the Government of India should streamline all the necessary procedures relating to satellite capacity allocation, especially the clearances and approvals from the concerned Ministries in a time bound manner. The Committee felt that exemplary disciplinary action be taken against the then officials who did not give approvals in stipulated periods.

22. The Ministry in their Action Taken Notes have submitted as under:

"The recommendations of the PAC is noted and the Department has forwarded the observations of the PAC to the Department of Telecommunication. It may also be noted that the mechanisms of approval in each administrative Ministry/Department has improved in recent days. The Department on its part will also initiate adequate measures to reduce delay in dealing with users."

23. The Committee express their displeasure over the Department's submission which again is bereft of the zeal to implement the recommendation of the Committee which had very specifically directed the Department of Telecommunications to take exemplary disciplinary action against the officials who did not give approvals in stipulated time periods and the action taken in this matter be furnished to them. Also, the Committee had recommended in their Fortieth Report (16th Lok Sabha) that the Government of India should streamline all the necessary procedures relating to satellite capacity allocation, especially the clearances and approvals from the concerned Ministries in a time bound manner, which they feel, still needs a lot of effort for improving the

present system. Re-iterating their earlier recommendation, the Committee desire that the Department/Ministry earnestly fine tune their system for allocating satellite capacity and to reduce the time taken for clearances/approvals from the stakeholders and intimate this Committee about the developments in this area.

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH THE GOVERNMENT HAVE FURNISHED THEIR REPLIES

Satellite capacity Allocation Procedure not developed by ICC and DOS

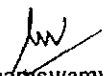
The Committee observe that procedure for allocation of satellite capacity was not framed by ICC as per SATCOM policy until February 2013 and during the years 2004 to 2011, the demand for satellite capacity exceeded supply in all the years. Further, INSAT transponders providing DTH service decreased from 30 units in 2009 to 19 units in 2013 and a progressive increase in dependence on foreign satellites from 6.5 units in 2004 to 57 units in 2013. The Committee also note that according to DOS's own submission, the demand was expected to increase over 200 units beyond 2013. The Committee are unable to comprehend as to how DOS went about allocation of capacities in absence of any prescribed procedures. The Committee observe that non-framing of a sound procedure led to filling of gap of satellite capacity by foreign satellites causing a drastic drain on Government's revenue. In view of the above, the Committee exhort that the ICC should frame procedure for satellite capacity allocation as per SATCOM policy and further to follow the rules in letter and spirit since demand for satellite capacity is steadily increasing over the years. The Committee desire to be apprised within three months of the action taken in this regard.

(Para No.4 of the 40th Report of the Public Accounts Committee-16th Lok Sabha)

The Department followed the process of first-cum-first-served principle as described in Para 2.6.2 of the cabinet approved norms, guidelines and procedures for implementation of the policy frame-work for satellite communication in India (Annexure-B1). The Department performed the function by identifying the transponder resource and informing TAG, in coordination with MoI&B as described in the reply to Para No.2 & 3 above. Such a method was adapted to the complete satisfaction of all the users. A suitable approach to manage space infrastructure in the country through revised norms, guidelines and procedures have been drafted for approval by the Cabinet. The revised version is currently under government approval process.

Vetted Comments of Audit

Approved revised norms, guidelines and procedures may be intimated.


(S.Kumaraswamy)
Joint Secretary & FA

(Department of Space O.M No. 8.11 012/1/2016-Sec.2 dated 17.01.2017)

Loss due to non revision of transponder charges

The Committee note that DTH transponder lease agreements had a lease period from 5 to 10 years with no provision for revision of prices whereas lease agree-

ments with foreign satellites ranged from 1 to 6 years with provision for price revision from 5 to 33%. The lack of such basic provisions resulted in revenue forgone to the tune of '36.17 crore. The committee are displeased with such poor terms of agreements where even a simple provision for price revision at regular intervals was not included. The Committee desire that such agreements be reviewed and reframed to include sound/prudent financial terms in the interest of the exchequer. The committee exhort the DOS to fine tune their marketing strategies to attract and retain service providers as well as to bring back those DTH service providers using foreign satellites back to INSAT/GSAT systems. The Committee impress upon the Ministry that the service providers be charged at the competitive rates and preferably the lease term be also uniform for everyone ensuring level playing field across the DTH sector thereby leading to more transparency and healthy competition. The Committee further desire that the DOS set up an inquiry to look into the lease agreements with various parties and take stringent action against those responsible for agreeing to terms that were against the interests of the exchequer and apprise the Committee of the action taken within three months.

(Para No.7 of the 40th Report of the Public Accounts Committee-16thLokSabha)

Action Taken

The Department submits the following key factors with regard to non-revision of prices for transponders for the kind consideration of the PAC:

(i) Lease agreements with foreign satellites are entered for a short term in order to make a provision for the end user to migrate the services from foreign satellite to the Indian satellite. This approach is in line with the recommendation of the Cabinet approved 'Norm, guidelines & procedures for implementation of the policy framework for satellite communication in India';

(ii) As the foreign operators quote lease charges in dollar terms, differential charges among indigenous capacity and foreign lease is unavoidable due to currency fluctuations and withholding taxes. However, the Department will work towards a scenario wherein the best possible solution for DTH services will be arrived at. It is submitted by the Department that a technical strategy to retain DTH services in the indigenous INSAT/GSAT system as well as to migrate DTH services from foreign satellite system to indigenous system is under formulation. A Committee to look into the subject matter is being constituted and its recommendation will be addressed by the Department. Vetted Comments of Audit Central PAC desired that DOS to set up an inquiry to look into the lease agreements with various parties and take stringent action against those responsible for agreeing to terms that were against the interest of the exchequer and apprise the Committee of the action taken within three months. DOS did not however did not initiate any action. Instead, DOS replied that the lease agreements with foreign satellites are entered for a short term period and to examine periodic revision clause it has appointed a committee to look into these aspects. The fact however remained that DTH transponder lease agreements had a lease period from 5 to 10 years with no provision for revision of prices whereas lease agreements with foreign satellites ranged from 1 to 6 years with provision for price revision from 5 to 33%. The price revision clause is required to be there in all the transponder lease agreements which extends

for more than one year irrespective of the fact that the contract is for a shorter duration or longer duration.


(S. Kumaraswamy)
Joint Secretary & FA

(Department of Space O.M No. 8.11 012/1/2016-Sec.2 dated 17.01.2017)

Loss due to Undercharging of Transponder Prices

The Committee take serious note of the DOS undercharging of transponders of Sun DTH resulting in a loss of ~2.94 crore from January 2008 to July 2010. The DOS first charged Sun DTH only for 6 transponders whereas 6.26 transponders were leased to them. Subsequently, the transponder prices were reduced to ~4.70 crore per transponder resulting in a loss of ~46.92 Lakh. The Committee also note from the reply of DOS that Standing Committee of DOS was empowered for taking such decision but are of the firm opinion that reducing prices arbitrarily raises suspicion of favoritism and hurts the interest of the exchequer. The Committee further feel that just to retain service providers on INSAT, the DOS went about distributing goodies to private players. The committee desire that the Secretary, DOS to revisit the files relating to all transactions, apprise the committee of the reasons for giving such undue benefits to a private service provider and the penal action taken against the guilty officials to prevent such capricious decisions in future.

(Para No.8(i) of the 40th Report of the Public Accounts Committee-16th Lok Sabha)

Action Taken

The files relating to the subject matter are revisited and the following are the key observations:

(i) Originally, Sun Direct's demand for transponder capacity to start DTH service was firmed up through INSAT-4C capacity. However, due to the unfortunate loss of INSAT-4C due to launch failure and also due to the desire of Sun Direct to start DTH services at the earliest, a decision was taken by the Department to offer them INSAT-4B capacity;

(ii) INSAT-4B satellite has 12 Ku-band (3x27 MHz, 9x36 MHz) transponders. As per firmed up arrangement between the Department and Doordarshan, 5 transponders in INSAT-4B were provisioned for migration of Doordarshan services from foreign satellite to Indian satellite;

(iii) Thus, it was not feasible to offer 7x36 MHz transponder capacity to Sun Direct as desired by them. However, as a best possible solution, it was feasible to offer 4x36 MHz and 3x27 MHz capacity in INSAT-4B to Sun Direct;

(iv) Such an offer was not in line with Sun Direct's large investment in the ground segment for DTH uplink system. Sun Direct had already made investment on ground

segment based on INSAT-4C agreement. Using INSAT-4B in lieu of INSAT-4C required additional investment due to 27 MHz transponders.

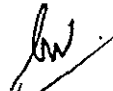
(v) Under such a complex context, the approach of reduction in price was arrived at by an empowered committee of the Department in order to effectively use the INSAT-4B satellite.

The PAC may kindly note that INSAT-4A and INSAT-4B are the first two high power satellites realized with indigenous efforts to meet high quality requirements of the DTH service provider. Given such a scenario, the agreement terms were arrived based on sound technical and managerial judgement. It may also be noted that INSAT-4B had a power anomaly in July 2010, resulting in reduced transponder capacity. Subsequently, Sun Direct was moved out of INSAT-4B for 6 transponders causing hardship to Sun Direct DTH services.

The Department has noted the concern of PAC and will take appropriate steps in future commercial activities factoring the technology risks associated with indigenous satellites.

Vetted Comments of Audit

The appropriate steps taken by DOS not to repeat such mistakes as it happened in undercharging the transponder prices of SUN DTH, may be intimated. A copy of the direction/ circular/Office order issued to the concerned Centres/Programme office may be furnished.


(S.Kumaraswamy)
Joint Secretary & FA

(Department of Space O.M No. B.11012/1/2016-Sec.2 dated tl-01.2017)

Allocation of Bonus time

The committee note that DOS had allowed bonus free period of 1.5 months to Sun DTH which resulted in a benefit of ~3.56 crore to Sun DTH. The Committee find the reply of the DOS untenable that Standing Committee of the DOS had taken such a decision as Sun DTH could not get regulatory clearances from Network operating Control Centre (NOCC)/DoT for uplink in first three months. The committee further note that DOS demand for payment for the bonus free time earlier ended in Sun DTH, initiating arbitration proceedings and bringing out an injunction from the Hon'ble Madras High Court. The Committee are of the measured view that the Government collectively is responsible for such a situation wherein DOS had to bear costs to save the commercial interests of the service providers for retaining them. The Committee, therefore, recommend that the Government of India should streamline all the necessary procedures relating to satellite capacity allocation, especially the clearances and approvals from the concerned Ministries in a time bound manner. The committee feel that exemplary disciplinary action be taken against the then officials who did not give approvals in stipulated periods.


(Para No.8(ii) of the 40th Report of the Public Accounts Committee 16th Lok Sabha)

Action Taken

The recommendations of the PAC is noted and the Department has forwarded the observations of the PAC to the Department of Telecommunication. It may also be noted that the mechanisms of approval in each administrative ministry/department has improved in recent days. The Department on its part will also initiate adequate measures to reduce delay in dealing with users.

Vetted Comments of Audit

The Central PAC had directed to take exemplary disciplinary action on the officials in the Department of Telecommunications who did not give approvals in stipulated periods. Action taken in the matter by DOT may be arranged to be furnished.


(S. Kumareswamy)
Joint Secretary & FA

(Department of Space O.M No. B.11012/1/2016-Sec.2 dated 11.01.2017)

NEW DELHI;
6th April, 2017
16 Chaitra, 1939 (Saka)

PROF. K.V. THOMAS
Chairperson
Public Accounts Committee

APPENDIX-II
(Vide Paragraph 5 of Introduction)

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

- | | | | |
|-------|---|---|---------------------------------|
| (i) | Total number of Observations/Recommendations | - | 15 |
| (ii) | Observations/Recommendations of the Committee which have been accepted by the Government:

Para Nos. 1 and 11 | - | Total : 02
Percentage: 13.3% |
| (iii) | Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government: | - | Total : 0
Percentage: 0% |
| -NIL- | | | |
| (iv) | Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Para Nos. 2, 3, 5(i), 5(ii), 5(iii), 6(i), 6(ii), 9 and 10 | - | Total : 09
Percentage: 60% |
| (v) | Observations/Recommendations in respect of which the Government have furnished interim replies:

Para Nos. 4, 7, 8(i) and 8(ii) | - | Total : 04
Percentage: 26.6% |