

## REPORT

### INTRODUCTORY

The Budget Estimate for the year 2003-2004 of the Department of Telecommunications includes the requirements of the Secretariat of the Ministry, Directorate of DoT, Wireless Planning and Coordination (WPC) wing, Wireless Monitoring Organisation, International Cooperation, Telecom Regulatory Authority of India (TRAI), Telecom Dispute Settlement and Appellate Tribunal (TDSAT), Centre for Development of Telematics (C-DOT) and Telecom Engineering Centre (TEC) as well as compensation to Public Sector Undertakings (PSUs) and pension payments. The plan of the Department is mainly executed by its four PSUs *i.e.*, Bharat Sanchar Nigam Limited (BSNL), Mahanagar Telephone Nigam Limited (MTNL), ITI Limited and Telecommunications Consultants India Limited (TCIL). The thrust areas during the year 2003-2004 as well as for the Tenth Plan period have been stated to be building a world class telecom infrastructure, increasing both overall as well as rural tele-density, covering all villages with VPTs, and making available telephone on demand in rural areas, strengthening of the public grievance redressal machinery, releasing spectrum for telecom services, starting cellular services in the North-East and J&K, expanding internet coverage so as to cover all the 6310 blocks in the country with internet dhabas/kiosks (so far 3382 blocks have been covered), providing reliable media for all the exchanges by June, 2003 (so far 35,125 exchanges out of 35,664 exchanges have been provided with reliable media), taking steps for enactment of Communication Convergence Bill besides preparation of strategies for making ITI and C-DOT viable.

2. The Plan and Non-Plan provisions made in the DoT Budget for the year 2003-2004 is as under:-

*(Rs. in Crores)*

<u>DEMAND NO.13</u>	
<u>Revenue Section</u>	
<u>Plan</u>	<u>Non-Plan</u>
175.14	1192.51
<u>Capital Section</u>	
1.00	Nil
<u>Total:-</u>	<u>1192.51</u>

**Total Grant: 176.14 (Plan)**  
**1192.51 (Non-Plan)**

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**Grand Total: 1368.65**  
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3. The approved plan outlay of the Telecom Sector in 2002-2003, including its PSUs was Rs.19462.79 crore with Rs.185.00 crore of Budgetary Support. In the Revised Estimates 2002-2003, the proposed plan outlay was reduced to Rs.14192.89 crore including Rs.843.16 crore of budgetary support.

4. The approved plan outlay for 2003-2004 is Rs.14955.00 crore including budgetary support of Rs.185.00 crore. The detailed break-up of approved plan outlay for the year 2003-2004 (BE) is as under:-

**STATEMENT OF PLAN OUTLAY (2003-2004)**

*(Rs. in Crore)*

<i>Unit</i>	<i>IR</i>	<i>Bonds</i>	<i>Others</i>			<i>BS</i>	<i>Plan Outlay Total</i>
			<i>Reimbursement of Licence Fee &amp; Spectrum Charges</i>	<i>Net Receipt of USO Fund</i>	<i>Total</i>		
<b>BSNL</b>	6515.00	1341.00	1589.00	2839.00	4428.00	1.00	12285.00
<b>MTNL</b>	2284.00	0.00	0.00	0.00	0.00	0.00	2284.00
<b>ITI</b>	7.00@	195.00	0.00	0.00	0.00	0.00	202.00
<b>WMO</b>	0.00	0.00	0.00	0.00	0.00	9.36*	9.36
<b>WPC</b>	0.00	0.00	0.00	0.00	0.00	131.17	131.17
<b>TRAI</b>	0.00	0.00	0.00	0.00	0.00	1.67	1.67
<b>TDSAT</b>	0.00	0.00	0.00	0.00	0.00	0.87	0.87
<b>TEC</b>	0.00	0.00	0.00	0.00	0.00	2.27	2.27
<b>C-DOT</b>	0.00	0.00	0.00	0.00	0.00	38.66*	38.66
<b>Total</b>	<b>8806.00</b>	<b>1536.00</b>	<b>1589.00</b>	<b>2839.00</b>	<b>4428.00</b>	<b>185.00</b>	<b>14955.00</b>

@ The Gross Internal Resources (retained profit+depreciation) of ITI for the year 2002-03 is Rs.98.00 crore but there is a provision of repayment of loan of Rs.102.00 crore and accretion to working capital is (-) Rs.11.00 crore. Thus IR has been shown as Rs.7.00 crore i.e. (+98.00-102.00+11.00 = 7.00 crore)

NE Allocation of Rs.315.90 crore is included in the plan outlay of BSNL.

\* These allocations work out to be lower than last years actual expenditure and therefore there is a need to revise these allocations upwards at the time of RE (2003-04).

#### **A. Financial Allocation & Utilisation**

##### **(i) Wireless Planning and Coordination (WPC)**

5. From a statement furnished to the Committee it has been observed that for Wireless Planning and Coordination (WPC) the Actual Expenditure (Plan) for the year 2001-2002 was Rs.32.66 crore which was enhanced to Rs.101.05 crore in the BE 2002-2003, but subsequently reduced to Rs.38.62 crore in the RE 2002-2003. Now for the year 2003-2004 BE, it has been increased to Rs.131.17 crore. In this context, the Committee desired to know the reasons of such glaring variations.

6. In reply, it has been stated that the award of contract and supply of equipment for the World Bank Project for automation of Radio Frequency Spectrum Management and Modernisation were to commence well within the financial year 2001-2002, as per the original schedule. But as the award of contract, equipment supply and payment thereof could not take place during the year 2001-2002, the actual expenditure during that year was Rs.32.66 crore only against an allocation of Rs.95.00 crore.

7. The notification for the award of contract was issued at the beginning of 2002-2003 fiscal. However, the lowest bidder, whose bid, as stated, could not be accepted due to non-conformity with the requirements of the bidding documents represented its grievance to the Government and the World Bank. His case was therefore reviewed and reconfirmed at the highest level in consultation with the World Bank.

8. Further, there were adverse newspaper reports against one of the sister concerns of the successful bidder. The required verification of facts to ensure that WPC's contract was not awarded to a disputed company took some time and the subsequent approval by the Department took six weeks. The signing of the contract could thus finally take place on 31 October, 2002. Because of delay in placing orders, the supply of equipment and services by the contractor could not take place and funds provided in BE 2002-2003 could not be fully utilised. Therefore, the BE 2002-2003 allocation of Rs.101.05 crore was reduced to Rs.38.62 crore at the RE 2002-2003 stage.

9. It has further been stated that since the Contract Agreement has now been signed, delivery of equipment is likely to be made during the year 2003-2004 and a provision of Rs.131.17 crore has been made in the BE 2003-2004.

10. Asked to state categorically the date of completion of the project, it has been replied that the implementation period of the contract is eighteen months and the project would be ready well within the final date *i.e.*, December, 2004 as stipulated in the loan agreement.

11. The Committee then enquired whether frequency spectrum, which could otherwise be optimally utilised by other agencies, has been lying idle with the Government. In reply, it has been stated that Radio frequency spectrum is a scarce and limited natural resource due to propagation constraints, availability of equipment, technology, suitability of different frequencies for specific applications etc. Therefore, it needs to be utilised efficiently, effectively and rationally.

12. Accordingly, the National Frequency Allocation Plan-2002 (NFAP-2002) has been evolved, with effect from 1 January, 2002, with full participation from Government and Private Sectors taking into account their spectrum requirement in a transparent manner and with a view to catering to conflicting demands on spectrum.

13. The Committee was apprised that earlier radio frequency spectrum was mainly used by various Government Departments for variety of applications, including those for strategic, security and safety applications. Only in the last decade, demand for spectrum by Private Service Providers and users has increased tremendously. Comparatively older technologies and equipments which may not be spectrum efficient were being used by many Government Departments but those systems need to be protected.

14. The Committee observes that for Wireless and Planning Coordination (WPC) the actual expenditure during the year 2001-2002 was Rs.32.66 crore. The BE 2002-03 was enhanced to Rs.101.05 but again reduced to Rs.38.62 crore in the RE 2002-03. Surprisingly, the BE 2003-04 has again been increased sharply almost four times to Rs.131.17 crore. Due to procedural problems, the award of contract and supply of equipments could not take place and therefore, there was less expenditure in the year 2001-2002 as stated to the Committee last year also. An assurance was given at that time that all out efforts would be made to fully utilize the amount earmarked for 2002-2003. Strangely, the same procedural problems resurfaced which included non-conformity of the lowest bidder's bid with the requirements of the bidding documents, adverse newspaper reports against one of the sister concerns of the successful bidder and finally the Department took one and half a months to give its final approval. Consequently, the final contract was signed only on the last day of October, 2002. Because of the procedural delays, supply of equipment and services by the contractor could not take place in stipulated time frame ultimately resulting in non-utilisation of funds during 2002-2003 also. The Committee is highly perturbed that for two consecutive fiscals, WPC could not utilise the allocated funds on such an important project sponsored by the World Bank, which will result in sub-optimal use of scarce spectrum capacity. The delay was purely due to procedural problems and that too despite assuring the Committee of taking steps to overcome the same. The Committee, therefore, impresses upon the Department the need to constantly monitor the progress periodically so that the funds allocated in the BE 2003-2004 are optimally utilised and the Project is completed well within the revised time frame of December, 2004, as assured to the Committee.

15. The Committee notes that keeping in view the increased demand for spectrum from both Government and Private Agencies, the National Frequency Allocation Plan 2002 (NFAP-2002) has been evolved with effect from 1 January, 2002 in order to cater to competing demands. The Committee shares the views of the Department that Radio Frequency Spectrum, being a very scarce and limited natural resource, needs to be utilized efficiently, rationally and effectively. The Committee feels that it should be used optimally also. Therefore, prudence demands careful planning of spectrum allocation in a coordinated manner without compromising national interests and efficiently assigning frequencies to the

**users at large so that new technologies are encouraged and the old ones are protected side by side.**

**(ii) Wireless Monitoring Organisation (WMO)**

16. It has been observed from a statement furnished to the Committee that the proposed schemes in the Tenth Five Year Plan (2003-2007) for Wireless Monitoring Organisation (WMO) include continuing schemes like Science and Technology Activities, Augmentation of Mobile Microwave Terminal and Augmentation of DF Systems and new schemes like strengthening of VHF/UHF Spectrum Analysis Capabilities, Regional Maintenance Centre, Upgradation of Training Centre, Management Information Centre etc., with a total outlay of Rs.49.45 crore.

17. The Department has further stated that while preparing the plan proposals for BE 2003-2004 initially, an outlay of Rs.19.35 crore was proposed for the three continuing schemes as well as two new schemes *i.e.*, strengthening of VHF/UHF Spectrum Analysis Capabilities and Regional Maintenance Centre, as mentioned above, the break-up being Rs.10.20 crore for Technical Schemes and Rs.9.15 crore for civil works. But the total outlay has been considerably reduced at the approval stage by the Planning Commission to the tune of Rs.9.36 crore. The priority has been shifted to civil works worth Rs.8.86 crore to provide infrastructural facilities for the ongoing World Bank Project and only a token amount of Rs.50 lakh has been provided for Technical Schemes in place of the original allocation of Rs.10.20 crore.

18. In this context, the Committee desired to know the reasons for drastically reducing the 2003-2004 BE proposal for the Technical Schemes of WMO and whether the Department was contemplating to pursue the matter further with the Planning Commission during the 2003-2004 at RE stage. In reply, it has been stated that the Planning Commission had reduced the Plan budgetary support to DoT, except for World Bank Project, by approximately 50 per cent due to overall paucity of resources. However, the proposal for enhancement of funds will be taken up at the RE 2003-2004 stage. It has also been stated that if additional funds are not made available this year, the Technical Schemes of WMO would be taken up for implementation in coming financial year(s) depending upon availability of funds.

19. The Committee observes that an outlay of Rs.19.35 crore was proposed for Wireless and Monitoring Organisation (WMO) in the BE 2003-2004 for three continuing schemes *i.e.*, Science and Technology Activities, Augmentation of Mobile Microwave Terminal and Augmentation of DF Systems as well as for two new schemes *i.e.* Strengthening of UHF/VHF Spectrum Analysis Capabilities and Regional Maintenance Centre, the break-up being Rs.10.20 crore for the abovementioned schemes and Rs.9.15 crore for civil works of the ongoing World Bank Project. But the total outlay has been considerably reduced by the Planning Commission to the tune of Rs.9.36 crore. Therefore, the priority has been shifted to the civil works worth Rs.8.86 crore and only a token amount of Rs.50 lakh has been kept for the continuing and new schemes of the WMO in place of the proposed amount of Rs.10.20 crore. The Committee urges upon the Department to vigorously endeavour to get the money at the RE stage so that important schemes undertaken by WMO are implemented in time.

(iii) Centre for Development of Telematics (C-DOT)

20. The BE 2002-2003 for C-DOT was stated to be Rs.82.00 crore which was reduced to Rs.79.89 crore at the RE 2002-2003 stage. The BE 2003-2004 provides for Rs.38.66 crore to C-DOT. In this context, the Committee asked how much money the Department had demanded for C-DOT and whether there was any reduction and if so what was the reasons given therefor.

21. In reply, the Secretary, DoT stated in evidence that a sum of Rs.80 crore was asked for C-DOT for the year 2003-2004, but the Planning Commission agreed to provide only Rs.38.66 crore which is comparatively a very low amount. He further stated that out of the total meagre budgetary support of Rs.185 crore that has been made available, the Department has to allocate the same to various organisations. Therefore, C-DOT has suffered and got the reduced allocation of Rs.38.66 crore.

22. The Committee then enquired about the measures taken by DoT to meet the shortfall. In reply, it has been stated that efforts would be made to get additional funds from the Planning Commission/Finance Ministry at the RE stage. C-DOT has also been negotiating with BSNL to get reimbursement against the field support activities for upgrading 2.5 crore telephone lines

installed in the BSNL network. Efforts are also reportedly being made with the private operators for the deployment of C-DOT technologies in their network.

23. It has simultaneously been stated that in case the above options do not materialise, it would not be possible for C-DOT to take up any new projects. Even, the existing activities would be under strain.

24. The Committee categorically desired to know which specific and important activities/projects of C-DOT would be sacrificed due to funds constraints. In reply, it has been stated that Schemes like Cell and Packet technologies for Voice and Data Convergence, Second and Third Generation Mobile Communication, Highbit rate Backbone Network on Fibre and Satellite, Innovative Service for Business and Industry, Specific new and Study Project and Project Enhancement Scheme might have to be sacrificed due to lesser budgetary allocation of Rs.38.66 crore against the proposed amount of Rs.80 crore.

25. Expressing its serious concern over the problems faced by C-DOT due to lesser availability of budgetary support, the Committee asked how C-DOT would regulate its activities this year and beyond. The Executive Director, C-DOT replied that this year they would meet the ends somehow with a sum of Rs.124 crore (approx.) the break up being Rs.38.66 crore in the form of Grants, Rs.14.00 crore from royalties, Rs.42.00 crore at the RE stage and about Rs.25 to 30 crore from BSNL for the services rendered. But from next year onwards, if they continue to get meagre budgetary support as this year, they would not be able to pay even the salaries of the employees.

26. The Committee asked about the efforts made by DoT to assist C-DoT. The Secretary, DoT replied:-

“We have represented till the end to the Planning Commission that with this lower plan outlay, everybody will suffer..... We are hopeful that at the RE stage, we will get something more”.

27. From a statement furnished to the Committee, it has been observed that during the Tenth Plan Period the internal revenue generation target for C-DOT has been fixed at Rs.200 crore *i.e.*, Rs.35 crore earmarked for each of the first two years, Rs.40 crore in each of the next two years



and Rs. 50 crore for the last year of the Plan Period. In this context, the Committee desired to know whether C-DOT would be able to generate optimum revenue as earmarked for the Tenth Plan Period and what was the target and performance during the Ninth Plan Period in this regard.

28. It was stated that the total internal revenue generation target for C-DOT during the Ninth Plan Period was Rs. 88.55 crore and C-DOT achieved Rs. 134.90 crore. So far as the Tenth Plan is concerned, C-DOT has been able to generate Rs. 25.83 crore as on 28 February, 2003 against the target of Rs. 35 crore during 2002-2003. It has further been stated that it would be difficult to generate revenues as targetted for the Tenth Plan due to shift in strategy of BSNL to deploy Wireless in Local Loop (WLL) and Cellular Mobile equipment in place of fixed line switches.

29. The Committee asked about the plans and projections of C-DOT to upgrade its technology and equipment in order to keep pace with the MNCs as well as to cater to the new needs of BSNL/MTNL. In reply, it has been stated that although C-DOT has already been working on new technology areas such as third generation mobile systems, High Capacity Optical Fibre and Digital Loop Carrier Systems, Advanced intelligent network system etc., yet these systems will start generating resources only after two to three years.

30. The Executive Director, C-DOT stated in evidence that with the shift of technology from fixed line to WLL and mobile, the pressure has mounted on C-DOT because it did not have any ready-made product which could substitute the fixed line.

31. The Committee pointed out that if the MNCs could come out with better switches/products/infrastructure, why C-DOT, despite being such a reputed research and development organisation, cannot do the same. The Executive Director, C-DOT replied that they could make it at par with the MNCs but there is always some time gap because C-DOT had not developed those technologies a few years back. Therefore, at the moment C-DOT and MNCs are not at the same level. He further stated that C-DOT could not pay to their engineers as much as the Private Industries had been paying.

**32. The Committee is anguished to note that against a demand of Rs.80 crore, only 38.66 crore has been allotted to C-DOT in the BE 2003-04 for which it will not be possible for C-DOT to take up new developmental projects. Even the existing projects/activities like**

Voice and Data Convergence, Second and Third Generation Mobile Communications, Highbit Rate Backbone Network on Fibre and Satellite, Innovative Service for Business and Industry etc. will be under tremendous strain. Although C-DOT would meet its needs somehow with gross receipts of Rs.124 crore (approx.) as it expects to generate internal resources to the extent of Rs.14 crore from royalties, Rs.25 to Rs.30 crore from BSNL for the services rendered and the additional grants of Rs.42 crore that would be coming to it at the RE stage, as assured by the Secretary, DoT, besides the already allotted Rs.38.66 crore yet the Executive Director, C-DOT apprehends that they will not even be able to pay salaries to their employees next year if the same type of negligible budgetary support is given to C-DOT. The matter is really discouraging because of the fact that despite the Department's constant persuasion at the BE stage, the Planning Commission/Finance Ministry are reluctant to allocate the minimum required amount. If this is the treatment meted out to one of the premier Research and Development Organisations in our country which has rendered yeoman's service in Telecommunication Sector for years together, then the Committee apprehends that sooner or later the Country is going to lose the services of an extremely talented and highly efficient scientific organization. The onus, therefore, lies with all concerned and more so with DoT, to ensure that this premier research organization does not languish for want of funds and the minimum required funds are allocated to it.

33. It would be pertinent to mention that during the Ninth Plan Period C-DOT generated internal resources worth Rs.134.90 crore against a target of Rs.88.55 crore but it seems impossible to generate the Tenth Plan targeted internal revenue of Rs.200 crore as would be seen from the fact that against the target of Rs.35 crore in 2002-03, C-DOT could generate only Rs.25.83 crore as on 28 February, 2003. That is because of the shift in the strategy of the BSNL to deploy more and more Wireless in Local Loop (WLL) and Cellular Mobile Equipment in place of fixed line switches which has been C-DOT's domain for long. As C-DOT does not have another ready-made product which can substitute the fixed line, at the moment it is not at the same level as that of the MNCs. Upgradation of technology will take atleast two/three years, as has been stated to the Committee. Needless to mention, till the time C-DOT is completely able to cater to the new demands, it needs the required support from the Government which the Committee expects, will not be denied to it. Simultaneously,

**it is for C-DOT to see how fast it can adapt to the changing situation, as it is a matter of its own survival, so that the Telecommunication Sector continues to avail of its very useful service.**

**(iv) Mahanagar Telephone Nigam Limited (MTNL)**

34. The Committee has been informed that the 2002-2003 BE for MTNL has been reduced from Rs.3,994 crore to Rs.2,180 crore at the RE stage. Asked to state the reasons for such reduction, it was stated that such reduction has been made due to general slow down in the economy, saturation of demand for fixed telephones in Delhi and Mumbai and falling prices of equipment.

35. The Committee desired to know whether the downward revision of the financial outlay for MTNL would anyway affect its Annual Plan (2003-2004) targets. In reply, it has been stated that out of Rs.3,994 crore provided in the BE, Rs.2,600 crore was earmarked for expansion in new service areas abroad and national acquisitions as well as national and international long distance operations. Since MTNL could not get licenses for additional areas as well as national and international long distance from the Government, this expenditure has accordingly been revised. It has further been stated that the reduction in the financial outlay for physical targets in the existing areas of Delhi and Mumbai is only marginal and as such it will not hamper the plans of MTNL for 2003-2004 in these areas of operation. However, the plans of MTNL for national acquisition and to operate national and international long distance services will not be realised affecting the long term revenues of the Company.

36. Asked to state the measures taken by the Company to sustain challenges from private players who have entered into both basic and mobile services, it was replied that MTNL has adopted a professional approach for gearing up the Company to face competition. It has engaged M/s. Accenture as business consultant and M/s. William Mercer as HRD consultant. The Company is restructuring and creating new business oriented organisational structure, marketing and sales divisions in order to meet the challenges of competition. The Company is also introducing new user friendly and innovative services like Internet Express service, VOIP (Bol Anmol Internet Telephony) service, Bill view and payment portal, Asynchronous Digital Subscriber Line (ADSL)

based broadband service, Multifunctional Kiosks, Direct Internet Access Service (DIAS), Mobile Commerce etc.

**37. The Committee notes that 2002-03 BE for MTNL has been reduced from Rs.3,994 crore to Rs.2,180 crore at the RE stage due to general slow down in economy, saturation of demand for fixed line telephones in Delhi and Mumbai and falling trend in the prices of equipment. Although such reduction is not likely to hamper the achievement of targets by MTNL, yet the plans for MTNL for national acquisition and to operate National and International Long Distance Services will not be realized as MTNL could not get licenses from the Government for such services. The Committee, therefore, recommends DoT to look into the matter so that the long term revenues of MTNL is not affected, more so in view of the entry of a number of players in both basic and cellular services which has created tremendous uncertainty about the share of business of MTNL.**

**38. The Committee is glad to note that MTNL has been taking a number of measures like engaging business consultants, re-structuring and creating new business oriented organizational structure, strengthening the marketing and sales divisions and catering to new user friendly and innovative services like Internet Express, Asynchronous Digital Subscriber Line (ADSL), Direct Internet Access Service (DIAS) etc. The Committee feels that these are steps in right direction and should further be intensified as such a professional approach would help gear up the Company to face and sustain competition from all quarters.**

**(v) ITI Limited**

39. It has been observed from the Budget document furnished to the Committee that in the RE 2002-2003, ITI was provided Rs.4 crore as compensation whereas the BE 2003-2004 provides for Rs.1.5 crore only. The Committee desired to know the reasons for such reduction. In reply, it has been stated that as against DoT's total demand of Rs.96.14 crore, the Ministry of Finance had agreed for only Rs.81.31 crore after a detailed pre-budget discussion. Therefore, the provision for compensation to ITI has been reduced from Rs.4 crore to Rs.1.5 crore. It has been further added that this would again be taken up with the Ministry of Finance at the RE 2003-2004 stage.

40. The Committee has further been informed that during the Ninth Plan, ITI had envisaged investment of Rs.325 crore and during the Tenth Plan period the proposed Capital outlay is Rs.790 crore. While there has been no direct budgetary support from the Government to the Capital expenditure of the Company, Government guarantee was provided for the Bonds issued by ITI, mainly to fund the Capital investment programme. For this purpose, ITI has issued three series of bonds totalling a sum of Rs.272 crore.

41. In this context, the Committee asked how far ITI had been able to generate investment of Rs.325 crore that was envisaged during the Ninth Plan and what other measures, besides issuing bonds, have been contemplated by the Company to meet the Capital outlay of Rs.790 crore for the Tenth Plan period. It has been stated in reply that ITI had envisaged a plan investment of Rs.325 crore in the Ninth Plan. But due to reduction in the cost of capital equipment, the Company could spend Rs.173 crore only which was financed by a portion of bonds floated by the Company.

42. The Capital outlay for the year 2002-2003 was envisaged at Rs.73 crore, but due to cash flow problems, the Company could incur Capital expenditure of Rs.40 crore only met from its internal resources. The accumulated losses of the Company during current year upto December, 2002 amount to Rs.188 crore. Therefore, the Company has submitted a Revival Plan which envisages Capital expenditure of Rs.480 crore in the remaining four years of the Plan period. The Company has been stated to have requested that the above Capital expenditure may be met by soft loan at the interest rate of 4 per cent per annum from the Government repayable in ten equal annual instalments. Alternatively, the Company has proposed that Government may give interest subsidy and Government guarantee to allow the Company to raise this money by way of bonds.

43. Some of the initiatives proposed and highlights of ITI's Revival Plan include organisational restructuring, products rationalisation leading to reallocation of manpower, reduction of manpower and other associated costs, closure of unviable units, identification of surplus assets like land, buildings and sale of the same, equity infusion etc. Asked to quantify the exact financial assistance that the Company needed from the Government for its revival, it has been stated that the following assistance is urgently required by the Company:-

- (a) Rs.182 crore as VRS Compensation already incurred by the Company;

- (b) Rs.390 crore to support VRS for around 7,000 officials in the year 2003-2004; and
- (c) Rs.200 crore as equity infusion.

44. To a related query, it was stated that after the sale of surplus asset, land/buildings, the Company hopes to generate Rs.78.89 crore in the next two years.

45. In a subsequent note, the Committee has been apprised that the Company calculates a loss of around Rs.196.00 crore in the year 2002-2003. With this loss, the net worth of the Company would be completely eroded and hence it would necessitate reference to BIFR in the year 2003-2004. The Committee asked about the reasons of ITI again recurring losses after making profits since 1997-98. It has been stated that liberalisation policy, fast changes in telecom technology, surplus manpower of around 11,000 employees even after giving VRS to 6,365 employees since 1991, small equity base of only Rs.88 crore which made the Company heavily dependant upon market borrowing at high rate of interest and little value addition towards BSNL/MTNL's procurement of WLL/GSM products have been the main reasons for the Company incurring losses this year.

46. The Committee specifically desired to know whether the presence of ITI would be necessary in the growth of telecommunications and if so, what thought has been given to its Revival package. In reply, it has been stated by the Department, that ITI is the only Public Undertaking Company manufacturing telecom products and its presence would be vitally necessary because its rates have been acting as bench mark price for the telecom products in the country; it handles sensitive projects of Ministry of Defence and moreover in case of natural calamities, war situation and any other exigencies/foreign sanctions, ITI would take the responsibility of delivering telecom equipment.

47. Referring to its previous year's Report on Demands for Grants wherein the Committee had observed that ITI had incurred an expenditure of Rs.131.06 crore towards VRS since 1991-92 but had been reimbursed an amount of Rs.54.11 crore only, the Committee asked about the reimbursement of the balance amount to the Company. It was replied that pursuant to the recommendation of this Committee, action was initiated for reimbursement of the balance Rs.76.95 crore to ITI. After obtaining the approval of the Minister of Communications and Information

Technology, the matter was taken up with the Ministry of Finance and Ministry of Heavy Industries and Public Enterprises for their concurrence. While the latter supported the proposal, the Finance Ministry did not favour the proposal stating that it would open up a flood gate of requests from other CPSUs, which were denied support from National Renewal Fund (NRF) in the past, due to paucity of funds.

48. As regards the possible financial loss of Rs.63 crore against the reservation quota of 900K line of new technology switch ordered on ITI, the Committee was earlier apprised that DoT was examining the issue from various angles. Asked to state the latest position in this regard, it has been stated that Presidential Directives have been issued to BSNL to firm up the prices of reservation quota of 900K line of new technology switch for which order has been placed on ITI during 2000-2001 against BSNL's requirement of 2001-2002 based on prices finalised in the tender of the year 2001-2002 and accordingly BSNL has taken action to make the payment of difference amount to M/s. ITI Ltd.

49. **The Committee is extremely concerned to note that ITI Ltd., which has been making profits since 1997-98 is expected to incur a loss of around Rs. 196 crore in the year 2002-03. The causes are stated to be fast changes in telecom technology, surplus manpower of around 11,000 even after giving VRS to 6,365 employees since 1991, small equity base of Rs. 88 crore making the Company heavily dependent on market borrowing at higher interest and very little value addition. As it will necessitate its reference to BIFR in the year 2003-04, the Company has submitted a Revival Plan which proposes Organisational Re-structuring, products rationalization leading to reallocation of manpower, reduction of manpower and other associated costs, closure of unviable units, identification of surplus assets and sale thereof and fresh equity infusion etc. In terms of money ITI needs assistance to the tune of Rs.772 crore, the break-up being reimbursement of Rs.182 crore already incurred by the Company on VRS, Rs.390 crore to support VRS for around 7,000 employees in the year 2003-04 and Rs.200 crore as fresh equity infusion. Even after the sale of ITI's surplus assets, land/buildings etc. the Company hopes to generate Rs. 78.89 crore in the next two years. As there is practically no budgetary support to the Company and in the event of the above mentioned financial support not forthcoming, there will be a huge gap of around Rs.700 crore. The Committee, therefore, strongly recommends the required assistance to the**

Company for its very survival. The Department of Telecommunications being the administrative Department has to act effectively as ITI's presence is vitally necessary to get benchmark price for the telecom products in the country. Besides, need of ITI Ltd., as a captive unit is reinforced because of its handling sensitive projects of Ministry of Defence and delivering telecom equipment in case of natural calamities/war and other exigencies/foreign sanctions. The Company, on its part, has to make concerted efforts for its organizational restructuring, products rationalization and upgradation of technology so that it remains vibrant.

50. The Committee finds that ITI had incurred an expenditure of Rs.131.06 crore which has now become Rs.182 crore towards VRS since 1991-92, but has been reimbursed only Rs.54.11 crore. For the reimbursement of balance of Rs.76.95 crore, after the approval of the Minister for Communications, the matter was taken up by DoT with the Ministry of Heavy Industries and Public Enterprises and Ministry of Finance. However, the Ministry of Finance did not favour the proposal on the ground that flood gates would be opened up for other PSUs which have been denied similar requests in the past. The Committee does not find any justification for the views of the Ministry of Finance. On the other hand, it is of the opinion that ITI should not be treated unfairly simply for the reason that conceding its justified demand will prompt other Central PSUs to make similar demands. In fact, presence of ITI Ltd., in the past, had helped DoT in procurement of telecom equipments at competitive rates and deterred MNCs from quoting astronomical rates even though ITI Ltd., itself suffered financial losses.

51. The Committee is happy to note that Presidential Directives have been issued to BSNL to firm up the prices of reservation quota of 900 K line of new technology switches ordered on ITI during 2000-2001. The Committee trusts that the Department of telecom will expedite the payment of difference amount of Rs.63 crore to ITI Ltd.

(vi) **Bharat Sanchar Nigam Limited (BSNL)**

52. It would be seen that the total Plan outlay of BSNL for the year 2003-2004 is Rs.12,285 crore with a token Budgetary Support of Rs.1 crore only. The Committee asked about the funding pattern of Rs.12,285 crore and whether it would be sufficient for BSNL to carry out the various



schemes in the year 2003-2004. It has been stated that the proposed outlay of Rs.12,285 crore in BE 2003-2004 was for a target to provide 60.61 lakh DELs which is 8.5 per cent higher than the last year's target of 55.90 lakh DELs. The amount of Rs.12,285 crore contained funding to the tune of Rs.4,428 crore from reimbursement of license fee, spectrum charges as well as from the USO Fund.

53. Giving a break-up of the Rs.4,428 crore, the Secretary, DoT stated in evidence that reimbursement of license fees was expected to contribute Rs.1,489 crore, Spectrum charges Rs.100 crore and USO Fund Rs.2,839 crore. Any change in the above would affect the plan target of 60.61 lakh DELs. It was further stated that in order to achieve higher tele-density, commensurate additional funding support would be needed by BSNL from the Government.

54. The Committee asked about the action initiated by the Department to get the funds from the above three accounts so that BSNL's plan targets are not affected. The Secretary, DoT stated in evidence that the Government has passed on the entire burden of providing telephone services in rural areas to BSNL whereas the budgetary support is only Rs.1 crore. He further stressed the point that while the requirement of budgetary support of the Department is Rs.500 crore for the year 2003-2004, it has been given only Rs.185 crore.

55. So far as reimbursement of license fee and spectrum charges are concerned, the Secretary, DoT stated that these concessions were granted till 31 March, 2003. Asked to state what would happen after that, he replied that many of the concessions which were given to the BSNL were not for the entire period of the Tenth Plan. Some of them are ending in March, 2003 and some are upto March, 2004. Reimbursement of license fees and spectrum charges are due to end on 31 March, 2003. Therefore, the Department has done an internal exercise after a lot of discussion and on the basis of that they would be approaching the Cabinet for continuing these concessions throughout the Tenth Plan period which would help BSNL to a great extent in providing rural telephony.

56. The Committee asked how the resource gap would be bridged in case Cabinet's approval was not forthcoming. In reply, the Secretary, DoT stated that he has full confidence in getting the concessions for BSNL throughout the Tenth Plan period. However, he added:-

“At this point of time, till we are able to get the Cabinet decision, there is a little degree of uncertainty, but we have to work on good faith and trust”.

57. As regards getting Rs.2,839 crore from Universal Service Fund (USF), the Secretary, DoT stated that the USO Fund has to be put on a firm footing as it is definitely going to be a very powerful instrument to compensate the loss making part of the rural telephony. Therefore, the Department has to work hard towards getting Rs.2,839 crore from the USO Fund.

58. The Committee pointed out that the USO Fund was to be created with effect from 1 April, 2002 and desired to know the reasons for which the Fund has not been made operational as yet. The Secretary, DoT replied that it could not be constituted as per schedule because earlier the Department's perception was that the Fund could be created under the Indian Telegraph Act without taking recourse to any special law. But the latest advice given to the Department is that they have to amend the Indian Telegraph Act to provide for setting up of the USF. Accordingly, a lot of consultations were carried out with the Law Ministry and the Finance Ministry and the proposal for amendment of the Act has reached a very advanced stage.

59. The Administrator, USO Fund supplemented the Secretary, DoT by stating that although the Fund was to be created with effect from 1 April, 2002, it could not materialise as the Department encountered certain procedural problem. However, those problems are being addressed and hopefully in the months of April/May, 2003, there will be a certain clarity as to what will be the mechanism of funding of the Universal services.

60. The Committee desired to know whether the contribution of five percent of the annual gross adjusted revenue towards USO would be sufficient and whether any projection has been made as to how to utilise the fund. The Administrator, USO Fund replied that if 5 percent was taken on the current basis of the revenues being earned in the year 2002-2003, roughly Rs.1,700 crore should come to the USF as it was to be made operational from 1 April, 2002. If at least 10 per cent growth in revenue is expected over the next eight years, then roughly Rs.20,000 crore should be available to the Fund by that time. To support operational as well as capital expenditure for the new facilities being set up, roughly Rs.5,000 crore will be required over the same period. So, roughly Rs.15,000 crore will be available for individual rural DELs. Out of the 2,500 Short Distance

Charging Areas (SDCAs) in the country, roughly 500 SDCAs are to be covered by USO as these are termed as rural SDCAs. If the entire capital cost is to be covered under the eight year period, another 40 lakh DELs can be created in 20 per cent of the SDCAs over a period of eight years.

61. Clarifying a query by the Committee on reimbursement of Rs.2,839 crore to BSNL, the Administrator, USO Fund apprised that there has been certain misunderstanding on the mechanisms of the USO Fund on the part of BSNL presumably because the Capital cost is not going to be reimbursed in one year. Asked to elaborate, he stated that under the scheme which has been approved by DoT for the USO Fund, Capital Cost has to be reimbursed over a period of time. That means, annually, there will be an amount given to meet Capital and operational expenditure. Capital expenditure will be given at the rate of 24 per cent which is what TRAI has recommended. He concluded:-

“So, even if all the approvals are given and the amendment of the Indian Telegraph Act comes through, at the moment, the budget provision, to the best of my knowledge, for the next year is Rs.100 crore for USO Fund. This year, I am told that we have got Rs.300 crore”.

62. Expressing its concern over the fact that the benefits of the constitution of the USO Fund might accrue to the nation only after eight years, the Committee asked what would happen this year as there would be no reimbursement from the USO Fund. The Secretary, DoT replied that during the year 2002-2003 a sum of Rs.1,700 crore has been collected under USO and BSNL will be contributing another Rs.1,100 crore to the Fund in 2003-2004. But at the moment, the money has gone to the Consolidated Fund of India and it has to be got back into the USO Fund once it is constituted. The Secretary, DoT, however, assured that they would be able to get that money at the RE stage.

63. The Committee then desired to know what specific assurances were given and approved by the Government at the time of BSNL's corporatisation and how far they have been implemented. In reply, it has been stated that in keeping with the Government decision of 27.09.2000 by which Government decided to provide a package of measures to ensure that the viability of BSNL was not impaired in carrying out uneconomic activities to meet the socially desirable objectives of the

Government. The following package of measures has been approved by the Government for BSNL:-

- (i) Terms of Government loan of Rs.7,500 crores:
  - Moratorium on repayment of principal and payment of interest up to March 31, 2004.
- (ii) Terms of Equity (Rs.5000 crores) and Preference Share Capital (Rs.7,500 crores):
  - Exemption from payment of dividend on preference share capital up to March 31, 2004 and on equity share capital up to March 31, 2002 and waiver on dividend due on equity @ 50% and 25% for the years 2002-2003 and 2003-2004 respectively.
- (iii) Re-imburement of licence fee and spectrum charges:
  - In –principle approval that licence fee and spectrum charges be set-off against re-imburement for losses incurred on account of rural telephony operations or other socially desirable projects during the initial three years. (The quantum of licence fee and spectrum charges that the BSNL would be allowed to retain during the initial three years i.e., upto 2002-2003 to be decided annually by the Department of Telecom in consultation with the Ministry of Finance. *For 2001-2002 and 2002-2003, sums of Rs.2300 crores in each year have been approved as re-imburement for BSNL*).
- (iv) Concessional Central Sales Tax:
  - Extension of the facility of concessional Central Tax of 4% on all procurements by BSNL.
- (v) Plan Assistance:
  - Rs.720 crores as Plan support to the BSNL in 2002-2003 for its village public telephony programme.

64. The Secretary, DoT stated that another assurance was given that for the loss making operations which BSNL was required to carry out at the behest of the Government, adequate budgetary support would be provided. That has to be fulfilled due to the fact that rural telephony is an area of great difficulty and challenge as well as a matter of top priority.

65. As regards the continuation of the above concessions to BSNL, which were granted in some cases upto 31 March, 2003 and in some other upto 31 March, 2004, the Secretary, DoT stated that DoT has been impressing upon other Government Departments to see that the concessions granted to BSNL are continued at least till the end of the Tenth Five Year Plan period.

66. To a specific query of the Committee regarding the Tax liability of BSNL, it has been stated that Corporate Tax, Sales Tax, Excise Duty and Entry Tax have been affecting BSNL to a great extent. Asked to elaborate, he clarified that in the Assessment year 2001-2002 and 2002-2003 BSNL has paid Rs.165.31 crore and Rs.547 crore respectively as Corporate Tax. Again in Assessment year 2003-2004, a sum of Rs.450 crore has to be paid as Corporate Tax by the Company. But based on legal opinion, BSNL is of the view that it is eligible to avail the benefit under section 80IA of Income Tax Act, 1961.

67. Regarding Sales Tax, it has been clarified that items like Telephone rentals have been targetted by the Sales Tax Authorities and the matter was taken to Court by the DoT. The Hon'ble High Court of Uttar Pradesh ruled in favour of DoT, but later on the Hon'ble Supreme Court has given a judgement on 4 February, 2003 directing that such Sales Tax is payable and that too retrospectively with effect from 1988. This has major financial implications for DoT/BSNL as well as for the customers.

68. Regarding Excise Duty it has been stated that BSNL has been paying an amount of Rs.50 crore annually as Excise Duty on the items manufactured in the Telecom Facotries. The Department is of the view that since the items being manufactured are not for sale, there is no justification for charging Excise Duty on these items.

69. The Committee has further been informed that some states like Madhya Pradesh etc., have started charging entry tax on the Telecom equipment received from outside the States. This may run into an expenditure of hundreds of Crores of Rupees. It shall hamper the effort to develop telecom infrastructure in these States.

70. The Committee enquired about the steps contemplated to bail out BSNL from the precarious financial condition. In reply, both Secretary, DoT and CMD, BSNL have been of the

emphatic view that Telecom Sector in India can no longer be treated as a revenue earning sector for the Government and whatever revenue is being generated by it should be ploughed back for the development of this sector.

71. The Secretary, DoT concluded that there has been no difficulty with BSNL in mopping up funds from the market and investing the same for the roll out of its huge network in a phased manner. But to borrow from the market and plough it into non-viable operations will not be in the long term interests of BSNL.

72. The Committee notes that the total plan outlay for BSNL for the year 2003-04 is Rs.12,285 crore which contains funding to the tune Rs.4,428 crore from reimbursement of licence fee (Rs.1,489 crore), spectrum charges (Rs. 100 crore) as well as from the USO Fund (Rs. 2,839 crore). It is really amazing to learn that while the Government has passed on the entire burden of providing telephone services in rural areas to BSNL, what the Company has got in terms of budgetary support is merely a token sum of Rs.1 crore. For DoT's requirement of Rs.500 crore budget support for the year 2003-04, it has been given only Rs. 185 crore. To say that such budgetary allocation to a Department like Telecommunications is woefully inadequate will be an understatement. The Committee, therefore, strongly urges the Government to allocate sufficient budgetary grants to the Department for development of telecommunications. Putting the burden of corporatisation on BSNL contrary to the earlier assurances will have crippling effect on the capabilities of BSNL. Depositing the revenue stream in the Consolidated Fund of India, which was earlier coming to DoT, amending the pension rule to put the liability upon BSNL, imposition of Corporate tax, Excise duty, Sales tax, Entry tax and not compensating for the socially desirable but economically unviable activities that have been undertaken by the Company at the behest of the Government coupled with competitive environment are already having a telling effect on the BSNL and its future role appears to be uncertain. The Committee, therefore, strongly urges upon the Government to honour their commitments in letter and spirit in the larger interest of development of telecom sector in the country. Appropriating the revenue stream of BSNL to the Consolidated Fund of India without adequate compensation for expansion and development of telecom facilities appears to the Committee unparalleled and unjustified.

73. The Committee notes that at the time of corporatisation of BSNL, a package of measures which include Terms of Government Loan of Rs.7,500 crore, Terms of Equity (Rs.5000 crore), Preference Share Capital (Rs.7,500 crore), Re-imburement of Licence Fee and Spectrum Charges, Concessional Sales Tax etc. were assured to the Company by the Government. But some of these assurances like reimbursement of licence fee and spectrum charges are due to end on 31 March, 2003 and some other will expire on 31 March, 2004. As per an internal exercise carried out by the Department, all these concessions have to be extended at least throughout the Tenth Plan Period and the Department is confident of getting them. In view of uncertainty still looming large over getting the concessions continued, the Committee strongly urges the Department of Telecommunications to take up the matter with the Planning Commission and the Ministry of Finance at the highest level to ensure continuance of the abovementioned concessions for BSNL throughout the Plan Period lest the viability of the Company is jeopardized.

74. The Committee is unhappy to note that the Universal Service Obligation (USO) Fund which was to be created with effect from 1 April, 2002 could not be made operational due to DoT's own wrong perception and consequential delays in setting up of the fund. The Committee is inclined to believe that even if all the approvals come in time and the amendment of the Indian Telegraph Act comes through and the fund is set up by March/April, 2003, the benefit of it will not be realized this year, as candidly admitted by the Secretary, DoT and the Administrator, USO Fund. In view of the fact that BSNL has contributed substantially to the USO Fund (Rs.1,100 crore during 2002-03 and expects to contribute that much amount in the year 2003-04 also) and needs Rs.2,839 crore from the Fund to carry out its rural telephony programme, the Committee desires that the Fund is constituted soon.

75. According to the Administrator, USO Fund, if five per cent is taken on the basis of revenue earned in the year 2002-03, roughly Rs.1,700 crore should have come to the USF as it was to be made operational since 1 April, 2002. If 10 per cent growth in revenue is expected over the next eight years, then roughly Rs.20,000 crore should be available to the Fund by that time. After deducting operational as well as capital expenditure, roughly Rs. 15,000 crore would remain in the Fund for rural DELs. Moreover by that time 40 lakh DELs can be

created in 20 per cent of the SDCAs with that amount. Elsewhere, it has been mentioned that in order to achieve a rural tele-density target of 3 by March, 2007, about 14.72 million DELs are to be added with an investment of Rs. 44,160 crore. If the projected USO Fund is taken into consideration, there would still be a gap of Rs.30, 000 crore by the end of the Tenth Plan Period. Therefore, the Committee would like the Department to explore the possibility of enhancing the 5 per cent contribution limit to the USO Fund so that the wide gulf is bridged to the maximum extent possible. It is also pertinent to mention that the capital and operational costs of BSNL are not going to be reimbursed in one year. Therefore, there is added significance and urgency to make the fund operational expediently.

76. The Committee notes that BSNL has already paid Rs.165.31 crore in the assessment year 2001-02 and Rs.547 crore in 2002-03 as Corporate tax. To add to that another Rs. 450 crore Corporate tax has to be paid in the assessment year 2003-04. The Committee finds that as per the legal opinion obtained, BSNL is eligible to avail benefits under Section 80 I A of the Income Tax Act, 1961. The Committee would like DoT to take up the matter at appropriate levels so that BSNL gets necessary fiscal relief.

77. The Committee also notes that BSNL has been paying an amount of Rs. 50 crore annually as Excise duty and some States like Madhya Pradesh are charging Entry tax on telecom equipment received from outside the States which may run into hundreds of crores of rupees ultimately resulting in tardy growth of the telecom sector. The Committee would like the Department to take up the matter with appropriate authorities and concerned State Governments at the highest level so that BSNL's financial condition is not impaired further and expansion of telephone network in the States does not suffer.

#### **POLICY HIGHLIGHTS:**

##### **Rural Teledensity**

78. From a note titled 'Areas of concern' furnished to the Committee it has been observed that the current level of rural teledensity is 1.42 only. The Department has stated that rural teledensity target of 3 by 2007 may be difficult to achieve without adequate funds. However, no difficulty is



foreseen for achieving overall teledensity target of 9.9 by 2007. The present overall teledensity is 4.95.

79. Expressing its utmost concern towards the almost negligible rural tele-density, the Committee asked how the targets have been fixed and whether any study has been done to assess the requirement of funds and additional number of telephones required to achieve the rural tele-density target of 3 per cent by 2007. The CMD, BSNL stated that they have been working under the overall framework of New Telecom Policy, 1999. The Secretary, DoT supplemented that NTP, 99 has given the direction and the Department has been working towards it but at some stage Government support in terms of budgetary grant is required to go in for rural telephony.

80. The year-wise requirement of telephones and the investment needed during the Tenth Plan period has been stated to be as follows:-

<i>Year</i>	<i>DELs (in Millions)</i>	<i>Amount (Rs. in crores)*</i>
2002-03	1.88	5640
2003-04	2.30	6900
2004-05	2.83	8490
2005-06	3.46	10380
2006-07	4.25	12750
<b><i>Total</i></b>	<b>14.72</b>	<b>44160</b>

*\* Per line cost of rural DEL is taken as Rs. 30,000*

81. It may thus be seen that to achieve the rural teledensity target of 3 by March, 2007, about 14.72 million DELs are to be added with an investment of Rs. 44,160 crores.

82. Asked to state the steps contemplated to generate the projected amount, it has been stated in reply that as the investment requirement is substantial and viability of rural DELs a major concern, it has to be met from USF as well as budgetary support.

83. The Secretary, DoT stated that if rural telephony continues to remain a loss making proposition, no investor would like to invest there as there would be no return.

84. The Committee pointed out that viability depends upon technology used and therefore BSNL is required to go for the cheapest technology. The Secretary, DoT clarified that at present the cheapest technology for rural areas is WLL technology which costs somewhere between Rs. 10,000 to Rs. 15,000 per line whereas the copper cable costs around Rs. 25,000 per line. But even then WLL technology is not a viable proposition in rural areas because of the rentals and tariff structure. For example, the Capital Cost has to be recovered through a monthly rental of Rs. 50/- which comes to Rs. 600 per year. So, it will take about 25 years to recover the Capital Cost provided the value of rupee remains the same while there is obsolescence of the technology between five and seven years.

85. As regards upgradation of technology, the CMD, BSNL stated that they were already in the process of using the latest version for which tenders were called. He further stated that as far as cost is concerned, if the telephone set becomes cheaper, the cost will automatically come down.

86. The Member (Production), Telecom Commission supplemented that cost reduction has been of paramount importance for which there is a proposal to considerably reduce the quantum of lines next year. Out of the 60 lakh odd lines that are going to be provided in the BSNL network, only 4 lakh lines are to be provided through fixed lines and the rest would be through WLL and cellular phones.

**87. The Committee is deeply concerned to note that the current level of rural tele-density is 1.42 only per 100 people. In order to achieve the rural tele-density target of 3 by the year 2007, 14.72 million DELs with an investment of Rs.44,160 crore will be required by the end of the Tenth Plan period. The projected amount has to be met from USO Fund as well as adequate budgetary support failing which it would be apparently very difficult for BSNL to achieve the rural tele-density target as enunciated in NTP '99. Needless to mention, serious and urgent measures have to be initiated by the Department to garner the required funds for BSNL which has been financially squeezed to the hilt on many accounts. Moreover, it is a policy announced by the Government and responsibility lies with the Department to see that Government assurances are fulfilled commensurate with the aspirations of the rural people.**

88. The Committee learns that the present technology available for the rural area i.e., WLL technology is the cheapest one which costs Rs.10,000 to Rs.15,000 per line whereas the copper cable costs around Rs.25,000 per line. Even then, this technology has not been a viable proposition in rural areas as it will take about 25 years to recover the capital cost whereas the technology itself will be obsolete within a period of five to seven years, as per a calculation made by the Department. Therefore, what is required is intensive research and development to innovate and upgrade the technology so that it becomes viable and cost effective, more so in view of the Secretary, DoT's statement that no investor would like to invest in rural telephony if it continues to remain a loss making proposition. Moreover, in view of the fact that 56 lakh lines are to be provided through WLL and Cellular phones next year out of the target of 60.61 lakh lines, the Committee desires that such services are expeditiously facilitated in rural areas so that cost effectiveness is taken care of and rural tele-density is increased.

**PENSION TO BSNL EMPLOYEES:**

89. Referring to the problem of payment of pension to BSNL employees, the Committee asked in evidence about the latest position in this regard. The Secretary, Department of Telecommunications stated that at the time of corporatisation of DoT and DTS into BSNL, the Government had given the commitment that the pension would be paid to the employees who were being sent on deemed deputation as well as to those who would get absorbed in BSNL. But, now the Government has taken the view that while the Government would pay the amount, they would recover the amount from BSNL. The Committee asked if the Government is going to recover it from the BSNL, then how it can be construed that Government is paying that amount and whether the matter has been taken up at the appropriate level. The Secretary, DoT replied that the matter has been taken up with the Finance Ministry on several occasions, particularly the issue of payment of pension to those employees who retired before BSNL came into existence. The Ministry of Finance has stated that earlier the entire pension used to be paid from the revenue stream of DoT and since the lion's share of this revenue stream has now gone to BSNL, the latter should continue to meet this liability of payment of pension.

90. To a specific query, the Secretary replied that in Rule 37(A) of the Pension Rules, it has been specified that the pension will be paid by the Government but under a subsequent amendment to that Rule it has been mentioned that Government would specify the arrangements in the manner including the rate of pensionary contribution to be made by BSNL and the manner in which the financial liabilities on this account are to be made. This provision of the Rule has been taken advantage of by the Government to put the liability on BSNL.

91. Asked to state the amount involved under this liability and proposals to generate that, the Secretary, DoT replied that Rs. 800 crore would be required per year for pension payments and BSNL has been under a lot of pressure due to this.

92. The Committee asked when BSNL has taken all the assets of DoT and erstwhile DTS, then why it should not bear the liabilities also. The Secretary, DoT replied that it is true that assets have been transferred to BSNL but all the income which earlier formed part of the revenue receipt of DoT, is now partly being deposited with the Consolidated Fund of India.

**93. The Committee observes that at the time of corporatisation of DoT, the Government had given the commitment that pension would be paid to the employees who were being sent on deemed deputation as well as to those who would get absorbed in BSNL under Rule-37(A) of the pension rules. However, under a subsequent amendment to that rule, the Government has put the liability on BSNL on the ground that earlier the entire pension used to be paid from the revenue stream of DoT and since the lion's share of this revenue stream has now gone to BSNL, the latter should continue to meet this liability of payment of pension amounting to Rs.800 crore per year. But the Committee is given to understand that while the assets of DoT/DTS have been transferred to BSNL, all the income that was earlier going to DoT's revenue stream, is not coming to BSNL in *to-to*, rather a part of it is being deposited in the Consolidated Fund of India. Here, the Committee would like to point out that when DoT/DTS was itself a service provider, it used to enjoy certain privileges which included exemption from Sales Tax, Corporate Tax, Excise Duty etc. Now, after corporatisation, BSNL is required to pay these taxes/duties which adds to its costs and consequential reduction in surpluses. Needless to mention, BSNL should not be put into a disadvantageous position on Corporatisation. Therefore, the Committee impresses on the Government that**

**the entire liability of paying pension to both the categories of the employees, as mentioned above, should be met as per the assurance given by the Government.**

**EFFECT OF IMPOSITION OF ACCESS CHARGES**

94. The Committee desired to know the effect of imposition of access charge under the inter-connection regime upon the viability of BSNL and MTNL. In reply, it has been stated that the impact has to be viewed keeping in mind that MTNL covers two metropolitan cities of Delhi and Mumbai while BSNL network covers the rest of the country including rural areas. The imposition of access charge upon BSNL will have the implications of annual reduction of BSNL revenue from incoming and outgoing international/STD calls to the tune of about Rs. 450 crore. Further, there will be annual reduction of BSNL revenue from incoming and outgoing calls to cellular networks to the tune of Rs. 1000 crore, to WLL (Mobile) network to the tune of Rs. 500 crore. Moreover, these services are more expensive as compared to cellular and WLL (Mobile) Services.

95. Another effect will be that long distance call from a fixed telephone to another fixed telephone becomes more expensive as compared to a long distance call from a cellular to another cellular phone or from a WLL (Mobile) phone to another WLL (Mobile) phone. It will cause diversion of traffic from BSNL's network to cellular and WLL (Mobile) network and it will thus result in further loss of revenue to BSNL. On top of it, loss of revenue due to inter-connection charges as mentioned above and shift of traffic from BSNL's network to other private networks shall adversely affect further the viability of BSNL.

96. So far as the effect of access charges on MTNL is concerned, the Committee has been informed that the IUC (Inter-connection Usage Charge) impact is likely to be revenue neutral to MTNL as it would be now receiving terminated traffic charges. It has also been pointed that IUC impact is also dependent on the tariff applied as also traffic patterns. As TRAI's recent tariff orders have made certain decreases in STD tariffs, final impact of IUC would depend on traffic changes that may result from the revised tariff. Further, the new IUC proposes some amount of payment to BSOs to be built into NLD and INLD towards covering access deficit of basic service provision.

97. The Committee notes that the imposition of access charge, introduced through Interconnection Regime by TRAI, upon BSNL will have the implications of annual reduction of BSNL's revenue from incoming and outgoing International/STD calls to the tune of about Rs. 450 crore in addition to another annual reduction in revenue to the tune of Rs. 1,500 crore on account of incoming and outgoing calls to cellular network as well as to WLL (Mobile) network. On top of it, there will be diversion of traffic from BSNL's network to cellular and WLL networks as long distance calls from fixed telephones to similar telephones will be more expensive as compared to such calls from cellular to cellular or from WLL to WLL phones. Needless to state, there will be further loss of revenue to BSNL which will ultimately and seriously affect the viability of BSNL. The effect of imposition of access charge upon MTNL will, however, be revenue neutral, as has been informed. In view of the financial constraints that the BSNL is already passing through and also keeping in mind the uneconomic activities that the BSNL has been performing at the behest of the Government, the Committee would like DoT to impress upon TRAI to reconsider introduction of imposition of access charge so that the BSNL's viability is not further eroded.

#### **EFFECT OF TARIFF INCREASE**

98. So far as the impact of TRAI's recent announcement to decrease the pulse rate and increase the rentals of basic telephones upon the consumer base of BSNL and MTNL is concerned, the Committee has been informed that BSNL may get additional annual revenue to the extent of about Rs.1600 crore to Rs.1700 crore from increase in rentals and decrease in pulse rate of local call from 180 seconds to 120 seconds. Further, the fixed services of BSNL will become more expensive and less affordable as compared to cellular services and WLL (Mobile) services. It is, therefore, expected that the customers may surrender BSNL's phones and twin to cellular and WLL (Mobile) services which will not only upset the expected increase in revenue but may cause further major loss due to the erosion of the customer base of BSNL.

99. As far as the MTNL is concerned, as per a preliminary analysis of the recent tariff ordered by TRAI, MTNL customers are likely to face increases of 11 per cent to 29 per cent tariff in case TRAI's orders are implemented without any modifications. However, keeping in view the

customer interest, MTNL is proposing tariff, subject to approval by the TRAI, that could ensure that increase in consumer bill is minimized.

100. **The Committee finds that although the recent announcement to decrease the pulse rate and increase the rentals of basic telephones, which has to be made effective from 1 April, 2003 (now deferred by one month), will enable BSNL to get additional revenue to the extent of Rs. 1,600 crore to Rs. 1,700 crore, yet it will make fixed services of BSNL more expensive and less affordable as compared to cellular and WLL mobile services. Therefore, the above mentioned projected revenue may be upset as there will certainly be erosion of the customer base of BSNL. As far as MTNL is concerned, customers at Delhi and Mumbai are likely to face an increase of 11 per cent to 29 per cent in tariff in case TRAI's orders are implemented without any modification. There is no certainty that BSNL will garner an additional revenue of Rs. 1,600 crore to Rs. 1,700 crore due to a tariff increase in basic telephones, if implemented. Subscribers in Delhi and Mumbai will have to bear a steep increase in telephone tariff. There will be definite erosion in customer base of BSNL and MTNL due to alternative options available to the customer to switch over to mobile service. As the real burden will ultimately be upon consumers, the affordability of fixed line telephone will be eroded which will be contrary to the objectives of NTP, 99. The Committee therefore urges the Government to examine the matter in depth and issue appropriate policy directive to Telecom Regulatory Authority of India to reconsider the tariff hike.**

#### **EFFECT OF REDUCTION IN STD/LONG DISTANCE CALL RATES**

101. The Committee desired to know the precise impact of TRAI's recommendations for reduction of STD/Long Distance Call Rates on the financial health of BSNL and MTNL. So far as BSNL is concerned, the Committee has been informed that TRAI has prescribed a ceiling of Rs.8.40 per minute for the long distance calls, which was comparable with the prevailing long distance tariff of Rs.9.00 per minute for the highest slab. However, TRAI has not prescribed any floor price for the long distance calls. Therefore, the private operators reduced long distance call charges for cellular subscribers from Rs.9.00 per minute to Rs.2.99 per minute. Thus, a long distance call from a Cellular Mobile Phone to another Cellular Mobile Phone for distances even beyond 500 kms., is costing about Rs.4.99 per minute including the air-time charges against Rs.9

per minute being charged by BSNL. This was causing a shift of BSNL's long distance traffic to Cellular Mobile Networks. BSNL, therefore, had no alternative but to reduce its long distance call charges for distances beyond 500 kms., from Rs.9.00 per minute to Rs.4.80 per minute to protect shift of its long distance traffic to Cellular Mobile Networks. Total annual financial loss of this reduction of long distance tariff is of the order of about Rs. 500 crores.

102. Due to the IUC (Interconnection Usage Charge) regime prescribed by TRAI, the long distance calls between the cellular phones and WLL (Mobile) phones have become cheaper than the long distance calls between two fixed phones. As TRAI has not prescribed any floor price for the long distance calls, it is expected that the long distance call charges from a cell phone to another cell phone/WLL (Mobile) phone or from a WLL (Mobile) phone to another WLL (Mobile)/Cell Phone will further be lowered by the Cellular Operators and WLL (Mobile) Networks. It will also cause movement of BSNL's subscribers to other networks and will, thus adversely affect the revenues and viability of BSNL.

103. The Committee has also been informed that the last tariff reduction in STD and ISD rates has impacted MTNL to the extent that average revenue per customer is as much as 17 per cent lower than the previous year. Compared to that, the present tariff reduction, which proposes that the highest long distance (domestic) call rate be reduced by 13 per cent would, it is anticipated, not have any major impact on MTNL and its overall revenues.

**104. The Committee finds that although the effect of reduction of tariff in STD/long distance calls upon MTNL will not have a major impact upon the Company's overall revenues, yet the total revenue loss to BSNL, on this account, will be of the order of about Rs. 500 crore per annum because TRAI has not prescribed any floor price for the long distance calls and the private cellular operators, taking advantage of that, have reduced long distance call charges for cellular subscribers from Rs. 9 per minute to Rs. 2.99 per minute. This has forced BSNL to reduce its long distance call charges from Rs. 9 per minute to Rs. 4.80 per minute, for distances beyond 500 Kms., in order to prevent switch over of its long distance traffic to cellular mobile networks and hence the loss of revenue to the tune of Rs. 500 crore. Here, the Committee would like to point out that due to the effect of imposition of access charges, the projected annual loss of revenue for BSNL will be around Rs. 1,950 crore and**



due to reduction in STD/long distance call rates it will lose another Rs. 500 crore per annum. Even if BSNL is able to generate an additional revenue of around Rs. 1,600 crore to Rs. 1,700 crore on account of increase in tariff and rentals of basic telephones (provided its customer base is not eroded), still it will incur an annual revenue loss of around Rs. 250 crore to 350 crore. Needless to mention, it merits urgent attention and reconsideration.

**Physical Target and Achievement**

**Bharat Sanchar Nigam Limited (BSNL)**

105. The targets fixed for BSNL for the year 2002-2003, achievement made upto 28 February, 2003 and the targets for 2003-2004 were stated to be as under:-

<i>Sl. No.</i>	<i>Parameters</i>	<i>Unit</i>	<i>Target 2002-2003</i>		<i>Ach. Upto 28.02.03</i>	<i>Target 2003-04</i>
			<i>BE</i>	<i>RE</i>		
1.	DELs	Lakh Lines	64.30	55.90	29.35	52.50
2.	Rural DELs	Lakh Lines	16.19	9.40	16.61*	8.61
3.	Switching Capacity	Lakh Lines	89.14	80.14	41.67	59.99
4.	Tax Capacity	K Lines	1,000	1,005	631	1,058
5.	Microwave	RKMs	5,000	5,000	6,409	2,000
6.	OFC	RKMs	75,000	75,000	41,181	35,000
7.	VPTs	Nos.				
	(a) New		70,000	39,439	36,297	0
	(b) Replace-ment		1,48,000	40,000	49,941	80,000
	Total		2,18,000	79,439	35,999	80,000

\* *Rural DELs achievement is upto 31.01.2003.*

106. After going through the above statement, the Committee desired to know the schemes in which shortfalls were anticipated at the end of this fiscal and the reason therefor. It was stated in reply that by the end of 31 March, 2003, shortfalls are anticipated in VPTs, DELs and net switching capacity.

### **VPTs & Performance of Private Operators**

107. The Committee has been informed that a slight shortfall of around 800 (new) VPTs is anticipated in the current financial year *i.e.*, 2002-2003 for provision for VPTs in North-East-I Telecom Circle *i.e.*, Meghalaya, Tripura and Mizoram, the reason being delay in commissioning of WLL systems as initially the Government did not give the permission for commissioning of WLL system due to security reasons. However, security clearance was received during August, 2002 and now priority is given for commissioning of WLL systems.

108. To a specific query regarding provisioning of VPTs, the following information has been furnished to the Committee:-

(i)	Total number of villages	.....	6,07,491
(ii)	Villages covered as on 1 April, 2002	.....	4,68,016
(iii)	Share of BSNL out of the remaining villages	.....	69,440
(iv)	Target for the year 2002-2003	.....	39,439
(v)	Achievement as on 28 February, 2003	.....	36,297
(vi)	Target for the year 2003-2004	.....	29,300 ( <i>including 18,202 VPTs to be provided on Satellite</i> )

109. The Committee was also informed that the target approved by the Planning Commission for new VPTs to be provided by BSNL in the year 2003-2004 is nil. However, 80,000 VPTs based on MARR systems will be replaced based on receipts from USO Fund to the tune of Rs.360 crore. Similarly, balance new VPTs of BSNL's share shall be provided in 2003-2004 subject to availability of funds from the Government/USO.

110. The Committee asked about measures taken to get the funds from USO and whether any alternative contingency plan has been chalked out in case of non-availability of funds from USO. In reply, it has been stated that amendment to the Indian Telegraph Act would be carried out to

constitute the USO Fund. Disbursement of fund will take place thereafter. The Amendment Bill is likely to be introduced in the Budget Session itself.

111. The Committee then desired to know whether BSNL would be able to provide the remaining 3142 new VPTs (out of the 2002-2003 target) by the end of 31 March, 2003. It has been stated in reply that out of 3,142 balance VPTs to be provided by BSNL as on 31 March, 2003, 2300 villages fall under naxalite/disputed/custodian not available/thick forest areas, and therefore cannot be provided with VPTs. Moreover, BSNL would not be able to provide 800 new VPTs in North-East-I Telecom Circle due to the reasons mentioned above.

112. Asked to state the measures contemplated to optimally achieve the VPT targets set for the year 2003-2004, it was replied that measures like availability of equipment, infrastructure and reliable media in time have been taken to achieve VPT target during the year 2003-2004. Further, technical specifications for tender for procurement of satellite based VPTs to be provided in remote and isolated areas during 2003-2004 have been kept ready and can be processed further on receipt of assurance of availability of funds within two months.

113. It has been observed from the Annual Report of the Department that as on 31 December, 2002, 84 per cent villages have been covered with VPTs and out of that 99 per cent has been covered by BSNL and only one per cent by Private operators. In this context, the Committee desired to know the details of the performance of the Private Operators in provision of VPTs. In reply, the following consolidated statement was furnished to the Committee:-

<i>Name of the operator</i>	<i>Service Area</i>	<i>Effective date of Licence</i>	<i>No. of VPT Committed during first three years of effective date*</i>	<i>No. of VPTs provided till 28.02.2003 **</i>	<i>No. of villages without VPT #</i>
Bharti Telenet Ltd.	Madhya Pradesh	30.09.1997	16,500	348	18,820
Tata Teleservices.	Andhra Pradesh	30.09.1997	9,635	1,314	4,782
Hughes Telecom	Maharashtra	30.09.1997	25,760	1,442	9,649

Reliance Telecom	Gujarat	30.09.1997	8,635	3,873	3,038
Shayam Telelink	Rajasthan	04.03.1998	31,834	737	16,601
HFCL Infotel	Punjab***	30.09.1997	5,442	831	Nil
		<b>Total</b>	<b>97,806</b>	<b>8,545</b>	<b>52,890</b>

Note:- # Department of Telecom, Department of Telecom Services/Department of Telecom Operations continued to provide VPTs in various service areas thereby reducing the total number of villages without any VPT.

\* Each licence stipulates voluntarily committed rate for insulation of VPTs. This is in terms of percentage of lines to be installed in service area. In the event of villages still remaining uncovered on completion of the said three years period, the licence stipulated an obligation on the part of the Licensee to maintain or exceed its committed rate till all villages get covered with VPTs.

These commitments were to be met by 30.09.1998 in case of A.P., Gujarat, Punjab and by 30.09.1999 in case of Maharashtra. For M.P. and Rajasthan the same were to be completed by 30.09.2000 and 04.03.2001 respectively.

\*\* Figures are as reported by the licensees.

\*\*\* As all villages have been covered in Punjab by BSNL, the faulty MARRs are to be replaced by the private licensees.

114. Referring to the above statement the Committee pointed out that against an obligation of providing 97,806 VPTs during the first three years of effective date of license which has already expired on 30 September, 2000 in case of Madhya Pradesh, Andhra Pradesh, Maharashtra, Gujarat and Punjab and 4 March, 2001 in case of Rajasthan, the private Operators have been able to provide only 8,545 VPTs only. In this context, the Committee reminded the Department that earlier it was assured that if the Private Operators did not come out with some concrete action by the end of June, 2002, drastic measures would be taken against them. But the deadline was extended till December, 2002. The Committee therefore enquired whether any improvement has

been observed in the performance of Private operators after December, 2002 and what would happen to the uncovered villages in case Private operators do not provide the committed VPTs there.

115. In reply the DoT, in a note, has stated that after December, 2002 improvement has been observed in the performance of Private operators providing VPTs in Gujarat, Andhra Pradesh and Maharashtra. While there has been no progress in respect of Madhya Pradesh, a very slow progress has been seen in respect of Rajasthan.

116. The Committee was further informed that the Private operators have again been given time upto 31 March, 2003, but in view of the progress detailed above, the target is not likely to be achieved by that date. However, the Government is persuading the Private Basic Operators to fulfill their roll out obligations either by themselves or by entering into mutual agreements with other service providers in that area.

117. The Committee pointed out in evidence that the Private operators were asked to perform by 30 September, 2000 which was subsequently extended to 31 June, 2002, then again to 31 December, 2002 and now finally to 31 March, 2003 and even then it is unlikely that they would fulfill their obligations by the end of March, 2003, as has been admitted by the Department itself. Expressing its serious concern, the Committee asked about the action taken by the Department in this regard. The Secretary, DoT has stated that the Department has been putting the Private operators under all kinds of persuasive pressure, including imposing liquidated damages, to force them to adhere to their contractual obligations.

118. The Committee asked whether paying liquidated damages would absolve them of their obligations. The Secretary, DoT replied that it certainly does not absolve them of their obligations as they have given a guarantee for fulfilling all the obligations associated with their licenses.

119. Asked to state the number of licenses cancelled so far due to non-performance in rural telephony, the Secretary, DoT replied that one licence has been cancelled so far. The Committee pointed out that when almost all the Private operators have failed to perform, why only one licence has been cancelled. In reply the Secretary, DoT stated that cancellation of licences is definitely a

solution which can be resorted to at the end because lakhs of subscriber will be affected by cancellation of a single licence.

120. To a specific query of the Committee as to why the Private operators have so far been reluctant to go in for rural telephony, the Secretary, DoT stated that the Private operators have constantly been saying that rural telephony has been too expensive and they would not be able to take the lines to the remote areas where this connectivity is required.

121. Drawing attention to the observations contained in the Annual Report of the Department wherein it has been mentioned “because of the role of Private operators, this tremendous expansion of the network has taken place”, the Committee asked how the role of Private operators could be explained in terms of provisioning of VPTs and whether these operators would perform their contractual obligations within a time frame. The Secretary, DoT replied:-

“Certainly, we have given them time upto 31 March, 2003. We have also issued notices to them. Within this period, we will take all the legal advice to see as to what action we can take against them”.

122. He further admitted as under:-

“It is a very difficult situation and it certainly requires a tough solution”.

123. He further clarified that reference to private sector’s role in the report was only in the context of phenomenal growth in Cellular mobile sector as the country has reached a level of 12 million cellular phones from nowhere.

**124. The Committee finds that the RE 2002-2003 target of VPTs was 39,439 and as on 28 February, 2003, 36,297 VPTs have been provided, thus leaving a short fall of 3,142 VPTs. Out of that, 2,300 villages fall under naxalite/disputed/thick forest area and therefore, VPTs cannot be provided there. Therefore, there would be a shortfall of 842 VPTs in the year 2002-2003 due to non-commissioning of WLL systems in time in the North-Eastern States as initially the Government did not give permission for commissioning WLL system there due to security reasons. Now that the SACFA (Standing Advisory Committee on Frequency**

Allocation) clearance has been obtained since August, 2002, the Committee hopes that the remaining 842 VPTs are provided without further loss of time.

125. The VPT target for the year 2003-2004 has been stated to be 29,300 (including 18,200 VPTs to be provided on satellite). Going by the past and continuous reasoning *i.e.*, non-availability of equipment for non-achievement of target in VPTs, the Committee impresses upon DoT/BSNL to take advance and sincere measures to overcome procedural hazards like availability of equipment/infrastructure, finalisation of tendering process etc. so that the targetted VPTs for the year 2003-2004 are provided as planned. Moreover, fund requirements for BSNL, as has already been elaborated in this Report, have to be taken up at the appropriate levels so that rural telephony programme does not get further set back.

126. The Committee is glad to note that against a target of replacement of 40,000 MARR based VPTs during the year 2002-2003, BSNL has already exceeded the target by replacing 49,941 such VPTs as on 28 February, 2003, despite fund constraints. 80,000 MARR based VPTs are being targetted to be replaced during the year 2003-2004 provided funds are made available to BSNL. Further, BSNL has to provide 69,440 more new VPTs in the uncovered villages on similar conditions of availability of funds. In view of the fact that replacement of MARR based VPTs which are fault prone is as important as that of installing new VPTs, the Committee urges DoT to take up the matter at the highest level to get the required funds for BSNL as the ultimate responsibility lies with the Department to come upto peoples' expectations.

127. The Committee finds that out of the 6,07,491 villages in the country, as on 1 April, 2002, 4,68,016 villages have been provided with VPTs. Out of the villages already covered, the Private operators have been able to provide 8,545 VPTs as on 28 February, 2003 against a commitment of 97,806 VPTs. It is pertinent to mention here that the committed VPTs were to be provided by 30 September, 2000 in case of Madhya Pradesh, Andhra Pradesh, Maharashtra, Gujarat and Punjab and by 4 March, 2001 in case of Rajasthan. Instead of building their infrastructure in rural areas in terms of licence agreement, private operators preferred what they considered to be the profitable route of paying the prescribed penalty and concentrated in urban areas where there are attractive profits. The DoT soft pedaled the

issue and remained contended by extending time-limit periodically knowing well that private operators will not penetrate rural areas as they considered it to be a losing proposition. Department's contention that certain improvement has been noticed in their performances is far from convincing in view of the fact that the Private operators have still to provide at least 52,890 VPTs (the rest falling under naxallite/thick forest areas etc.) as per the licence agreement. Evidently, private operators lack commitment to serve the rural people as there is no apparent return to their investment.

128. The Committee is constrained to note that even after paying liquidated damages, the Private operators are still not performing and the Department, on its part, is still trying to persuade them, apparently without any noticeable achievement. Moreover, only one licence has been cancelled so far for non-performance on the part of the Private operators on the plea that lakhs of subscribers will be affected. In view of the fact that crores of rural people have already been suffering due to apathy of the Private operators, the Committee is of the considered view that mere persuasion will not yield the desired result unless and until some drastic and extreme measures like cancellation of licence are taken against them. Mere persuasion by the Department will be treated by the Private operators as a sign of the Department's helplessness and weakness.

### **DELs**

129. From the target - achievement statement shown above, it has been observed that the 2002-2003 RE target for DELs was 55.90 lakh lines whereas the achievement upto 28 February, 2003 has been 34.38 lakh lines only. In this context, the Committee desired to know the reasons of lower achievement in DELs and whether by the end of the year 2002-2003 fiscal targets would be achieved. It has been stated in reply that BSNL has actually provided 49.77 lakh gross DELs as on 28 February, 2003, but the net DELs remained at 34.38 lakh lines because of surrenders/disconnection of 15.39 lakh fixed line telephones.

130. It has further been stated that because of late commissioning of Cellular Mobile Telephone Services (CMTS) which started in October, 2002 and delay in receipt of WLL equipment and disconnections, there may be some shortfalls.



131. In cellular mobile telephony, it is expected that a target of 24 lakh mobile phone connections may fall short mainly due to delay in receipt of phase-II expansion equipment in some regions. In reply to a specific query, it has been stated that being late entrant in the highly competitive cellular service as a third operator an aggressive target was kept to capture a significant market share.

132. Asked to furnish a technology-wise break-up of DELs target and achievement as on 28 February, 2003, the following statement was furnished to the Committee:-

<i>DELs</i>	<i>Target 2002-2003</i>	<i>Achievement</i>	<i>% age</i>
a) Wired Lines (lakh lines)	23.50	16.15	68.72
b) WLL (lakh lines)	8.40	2.73	32.38
c) CMTS (lakh lines)	24.00	15.50	64.54
<b><i>Total (lakh lines)</i></b>	<b>55.90</b>	<b>34.38</b>	<b>61.48</b>

133. The Committee desired to be apprised of the reasons of such large scale surrenders of fixed line telephone both in MTNL and BSNL areas of operation. The CMD, BSNL replied that people were earlier having more than one fixed line telephone on the basis that at least one phone would work. Those people are now surrendering the extra connection and going for mobile connections instead. Secondly, people now-a-days, are not asking for shifting of telephones, they surrender it and take a new connection at the new place. Moreover, now the customer is having an option to go for cellular or WLL connections which he earlier did not have.

134. The CMD, MTNL supplemented by saying that one of the reasons for surrender in Delhi and Mumbai is the abundant availability of telephones. Asked to state whether any study has been made in this regard, the CMD, MTNL stated that on the basis of a study made, twelve reasons have been identified for people surrendering their telephones. According to that study, ten per cent of MTNL's subscribers have migrated to private service providers and 90 per cent have surrendered their phones due to other reasons. Out of that 29 per cent have surrendered their phones on account of economic reasons.

135. The CMD, BSNL stated:-

“We have done a study by our own method. Now, we have appointed a consultant which will give us a detailed study report on this”.

136. The Committee asked whether it is not a fact that Private operators have been giving special incentives to attract BSNL/MTNL’s customers. The CMD, MTNL stated that the Private operators have been using all sorts and all possible means which sometimes the PSUs cannot do.

137. Pointing out that if a Private operator has been in a position to attract customers by adopting certain strategies, the Committee enquired what steps BSNL/MTNL have taken to expand their customer base. The CMD, BSNL replied:-

“We are working on that”.

138. The CMD, MTNL stated:-

“We are also using schemes that we can offer”.

139. Asked to state whether the quality of service rendered by BSNL/MTNL has anything to do with customers migrating to Private Operators, the CMD, BSNL replied that the service rendered by BSNL/MTNL may not be to the full satisfaction of the customers.

140. The Committee then desired to know the measures taken to achieve the DEL targets earmarked for the year 2003-2004. It has been stated that the Circle-wise DEL targets for 2003-2004 have been sent to the field units. Timely procurement of materials is planned so that it reaches the field units in time. Advance planning is being done for execution of indoor and outdoor plans in due time. WLL systems are planned to be deployed for which procurement action has already been initiated. Steps have been taken to make available funds to the field units as per requirements.

### **Switching Capacity**

141. It may be seen that the target for Switching Capacity in 2002-2003 was 80.14 lakh lines whereas the achievement has been 48.49 lakh lines as on 28 February, 2003. The target for 2003-

2004 has been fixed at 65 lakh lines. In this context, the Committee desired to know the reasons for shortfalls in Switching Capacity. It was replied that shortfall in net Switching Capacity is anticipated due to delay in receipt of WLL and Phase-II expansion equipment.

142. Asked to state the measures initiated for optimal achievement of target in Switching Capacity, it has been stated that action has been initiated for procurement of equipment in time.

143. As regards rural DELs, TAX, Microwave and OFC, the Committee has been informed that no shortfalls are anticipated in these categories as advance action is being initiated for procurement of necessary equipment/material for achieving the targets. However, all the above is based upon the assumption of availability of adequate funds and support.

#### **Under-utilisation of BSNL's Cellular Capacity**

144. From a statement furnished to the Committee, it has been observed that BSNL has a capacity of 15,36,850 cellular connections all over the country, yet it has provided only 8,12,146 such connections as on 31 December, 2002. In this context, the Committee desired to know the reasons for such under-utilisation of BSNL's Cellular Capacity and measures taken to ensure its optimum utilisation.

145. In reply, it has been stated that the roll out of the Cellular mobile services commenced with the launch of the services at Lucknow on 19 October, 2002 and since then cellular service to other cities has been commissioned providing capacities in a progressive manner. On an average, 4 to 4.5 lakh connections have been added per month by BSNL which account for 60 per cent to 70 per cent of the Cellular subscribers added by the Cellular Industry. The entire capacity of 15 lakhs in the initial phase has already been utilised as on 28 February, 2003.

146. The Committee has further been informed that action for augmenting the capacities have already been taken and is in the process of being rolled out. Demand based planning and marketing measures have been taken up so that capacity utilisation is optimal.

**147. The Committee observes that the 2002-2003 RE target for DELs was 55.90 lakh lines the break-up being 23.50 lakh wired lines, 8.40 lakh WLL lines and 24 lakh Cellular**

lines whereas the achievement upto 28 February, 2003 has been 34.38 lakh lines *i.e.* 16.15 lakh wired lines, 2.73 lakh WLL lines and 15.50 lakh Cellular lines. Surrender/disconnection of 15.39 lakh fixed line telephones, delay in receipt of WLL equipment and late commissioning of Cellular Mobile Telephone Services (CMTS) have been stated to be the reasons for the anticipated shortfalls in the respective categories. The Committee also finds that the target for switching capacity in 2002-2003 was 80.14 lakh lines whereas the achievement has been 48.49 lakh lines as on 28 February, 2003. Oft-repeated reason for delay in receipt of equipment has been advanced again to explain non-achievement of target. The Committee will like the DoT to identify the grey areas and streamline the procedure so that the tendering process is completed in a given time frame.

148. The Committee is concerned to note that upto 31 January, 2003, 15.39 lakh fixed line telephones have been surrendered due to various reasons like abundant availability of telephones, economic reasons etc. Based on the first hand knowledge that the Committee gathers through interaction with public representatives drawn from a cross-section of the society, the Committee, on its part, however, feels that more than anything else, what is compelling the subscribers to surrender their BSNL/MTNL telephones is sub-optimal customer care on the part of these PSUs. Therefore, the Committee impresses upon both BSNL and MTNL to go for an introspection, make an in-depth study and take measures accordingly to prevent their customer base from migrating to the private competitors. Further, 29 per cent of the telephone being surrendered in a year requires urgent steps for rectification on the part of Government as affordability is one of the three basic objectives of NPT, 99. It should be immediately brought to the notice of TRAI and if need be, a policy directive should be issued by the Government.

149. The Committee also notes that against the cellular capacity of 15,36,850 connections, BSNL has provided only 8,12,146 such connections all over the country as on 31 December, 2002. In view of the falling demand for fixed line telephones and growing demand for cellular connections, the Committee desires BSNL to venture more aggressively in the cellular market so that its DEL targets are achieved and tele-density is increased.

### **North-East Region & Tribal Sub-Plan (TSP)**

150. The following comparative statement showing the targets fixed for the North-East Region and Tribal Sub-Plan separately for the year 2002-2003, achievement made upto 28 February, 2003 and target fixed for 2003-2004 has been furnished to the Committee.

#### **TRIBAL SUB-PLAN (TSP):-**

<i>Sl. No.</i>	<i>Telecom Parameter</i>	<i>Target for the year 2002-2003</i>	<i>Achievement as on 28.02.2003</i>	<i>Target for the year 2003-2004</i>
1.	Switching Capacity (Lakh Lines)	3.15	3.75	3.00
2.	Direct Exchange Lines (Lakh Lines)	2.50	1.99	2.70
3.	VPTs (Nos.)	12,000	15,546	0*
4.	Microwave (Rkms)	600	608	200
5.	OFC (Rkms)	1,000	3,901	600

\* *As per targets approved by Planning Commission.*

### **II – N.E. Region**

<i>Sl. No.</i>	<i>Telecom Parameter</i>	<i>Target for the year 2002-2003</i>	<i>Achievement as on 28.02.2003</i>	<i>Target for the year 2003-2004</i>
1.	Switching Capacity (Lakh Lines)	1.155	1.13	1.165
2.	Direct Exchange Lines (Lakh Lines)	1.165	0.81	1.17
3.	VPTs (Nos.)	2,104	1,206	#
4.	Microwave (Rkms)	600	1,052	100
5.	OFC (Rkms)	950	1,525	600
6.	Satellite stations	12	16	10

# *In case of VPTs, the leftover VPTs shall be covered based on feasibility and availability of funds.*

151. In TSP areas, the targets for five out of six parameters have been achieved. As regards DELs, efforts are reportedly been made to achieve the targets, the Committee has been informed.

So far as North-East Region is concerned, the Committee has been informed that except in VPTs, targets of all other schemes are likely to be achieved. A slight shortfall of around 800 new VPTs was anticipated in the year 2002-2003 in North-East-I (Meghalaya, Tripura and Mizoram) Telecom Circle, due to non-commissioning of WLL system in time as initially the Government did not permit WLL system due to security reasons. After getting the security clearance in August, 2002, priority is now being given for commissioning of WLL systems.

152. The Secretary, DoT in response to a query replied that 11,500 VPTs in the North-East and J&K have to be provided and BSNL is totally committed to make it available as there is absolutely no problem now after the SACFA clearance.

153. As regards introduction of Cellular and WLL services there, the CMD, BSNL stated that Cellular service would be started in North-East including Assam with effect from 15 August, 2003 and WLL service would be introduced earlier than that.

**154. The Committee is happy to find that in Tribal Sub-Plan (TSP) areas, the targets fixed for various schemes like Switching Capacity, VPTs, Microwave and OFC for the year 2002-2003 have been achieved optimally. However, in Direct Exchange Lines (DELs) achievement has been 1.99 lakh lines out of the target of 2.50 lakh lines. The Committee desires that concerted efforts should be made to provide adequate DELs in TSP areas for the benefit of the tribal people.**

**155. The Committee is equally glad to note that BSNL will be able to achieve the targets fixed for various schemes for the North-East Region during the year 2002-2003. However, a shortfall of around 800 VPTs is anticipated in North-East-I (Meghalaya, Tripura and Mizoram) Telecom Circle due to non-commissioning of WLL systems in time on security consideration. With the security clearance having been already obtained since August, 2002, the Committee hopes sincere efforts will be made by DoT/BSNL to provide remaining VPTs soon in North-East-I Circle. Further, as assured by the Secretary, DoT and CMD, BSNL, Cellular and WLL services should be commenced in the North-East Region, as projected.**

**WAITING LIST:**

156. The following statement was furnished to the Committee showing BSNL's waiting list all over the country.

<b><i>Sl. No.</i></b>	<b><i>CIRCLE/METROS DISTT.</i></b>	<b><i>URBAN</i></b>	<b><i>RURAL</i></b>	<b><i>STATUS</i></b>
1.	ANDAMAN/NICOBAR	53	135	188
2.	ANDHARA PRADESH	18248	68646	86894
3.	ASSAM	3889	5506	9395
4.	BIHAR	27479	92166	119645
5.	CHHATTISGARH	3260	2710	5970
6.	GUJARAT	24871	56204	81075
7.	HARYANA	27849	92775	120624
8.	HIMACHAL PRADESH	4574	35062	39636
9.	JAMMU & KASHMIR	32169	11957	44126
10.	JHARKHAND	12399	5945	18344
11.	KARNATAKA	15797	100033	115830
12.	KERALA	95072	478789	573861
13.	MADHYA PRADESH	6031	13188	19219
14.	MAHARASHTRA	44673	172365	217038
15.	NORTH EAST-I	2799	5789	8588
16.	NORTH EAST-II	6729	3964	10693
17.	ORISSA	3846	12809	16655
18.	PUNJAB	27801	90291	118092
19.	RAJASTHAN	22520	119602	142122
20.	TAMIL NADU	29183	27631	56814
21.	UTTARANCHAL	6208	4532	10740
22.	UTTAR PRADESH (E)	42730	64095	106825
23.	UTTAR PRADESH (W)	38347	36355	74702
24.	WEST BENGAL	46308	126736	173044

25.	CALCUTTA	1461	0	1461
26.	CHENNAI	2921	0	2921
	<b>BSNL</b>	547217	1627285	2174502

157. As would be seen from above there are 21,74,502 people waiting for telephone connection all over the country as on 31 December, 2002. Out of that 16,27,285 belong to rural areas and 5,47,217 to urban areas. The highest number of waiting list has been found to be in Kerala where it is a staggering 5,73,861 followed by Maharashtra with 2,17,038, West Bengal with 1,73,044, Rajasthan 1,42,122, Bihar with 1,19,645 and Haryana 1,20,624 and some other circles where the waiting list is more than 1 lakh. In this context, the Committee desired to know the reasons of around 22 lakh people all over the country still waiting to get the telephone connections. In reply it has been stated that the generation of waiting list is a continuous process and is scattered mainly in the far-flung and rural areas where provision of new telephone connection is not cost effective. However, BSNL is working hard to reduce the waiting time for telephone connections as far as practicable. But adequate funds are required not only to meet the initial investment but also to provide these telephone connections.

158. Asked to state the special attention being paid towards those circles where the waiting list is above 1 lakh with special mention of Kerala which is having around 6 lakh people in the waiting list, the DoT in a note has stated that BSNL has to plan the telecom development in all the telecom circles within the overall financial outlay for the year. Higher target of DELs have been set and priority for allotment of equipment has given for the circles having higher waiting list. At the same time equipment distribution/allotment is also planned among all the states/circles. It was also stated that BSNL has been conscious of the high waiting list in the Kerala and hence it is accordingly taking the above mentioned measures there.

**159. The Committee notes that there are 21,74,502 people waiting for telephone connections all over the country as on 31 December, 2002, the break-up being 16,27,285 in rural areas and 5,47,217 to urban areas. Kerala heads the list with 5,73,861 people waiting for telephone connections followed by Maharashtra (2,17,038), West Bengal (1,73,044), Rajasthan (1,42,122), Haryana (1,20,624), Bihar (1,19,645) and some other States having wait listed applicants to the order of more than a lakh each. Inadequate funds and un-viable**



nature of rural telephony have been stated to be the reasons for the growing waiting list. It is really a matter of serious concern that private operators are not going in for rural telephony programme and BSNL will do it provided it gets adequate funds. The responsibility, therefore, lies with the Department of Telecommunications to find out a solution so that the aspirations of the people in those areas are met expeditiously.

### **OUTSTANDING ARREARS**

160. As regards outstanding telephone bills and measures taken to recover the same, the Committee has been informed that cumulative amount of (over 3 months) arrears of telephone revenue in BSNL was Rs.2655 crore as on 31 December, 2002 which is just about 2 per cent of the cumulative gross amount billed *w.e.f.* April, 1991 to September, 2002. The position of outstanding dues in individual cases is periodically reviewed by the Liquidation Boards and High Power Committees in BSNL's secondary switching areas and telecom circles for further action. The performance of telecom circles in the recovery of dues is also monitored in BSNL Headquarters *vis-à-vis* targets set for them every year.

161. The Committee has also been informed of the steps taken by the Company to recover outstanding dues which include disconnection of other working telephones of the defaulting subscribers, adjustment of available deposits against the dues and finally taking legal action in justified cases. But despite these measures some amount remains outstanding due to disputes, litigations etc. Outstanding against Government units in particular are followed up at the administrative level.

**162. The Committee is concerned to note that as on 31 December, 2002 a sum of Rs.2,655 crore is outstanding as telephone bill arrears which has to be recovered from various individual/private/Government subscribers. Although the position of outstanding dues has been stated to be periodically monitored both at the Circle and Head quarter levels, yet it seems inadequate in view of the amount still to be recovered. The Committee, therefore, desires that measures initiated to recover outstanding dues should further be strengthened, more so when BSNL is badly in need of funds to carry out its activities.**

### **IRRATIONAL URBAN -- RURAL DIVIDE IN KERALA**

163. During one study tour to Kerala, the Committee was given to understand that there has been very irrational urban-rural divide in some parts of the State which is putting the telephone consumers in great inconvenience. In this context, the Committee asked whether the Department has been aware of the situation. In reply, it has been stated that as per the Planning Commission's guidelines the categorization of subscribers as rural or urban is based on the rural/urban classification of the areas in the Census Report 2001 in which certain wards of a village have been classified as rural and some others as urban. BSNL does not have any separate norms of its own for classification of a village as rural or urban.

164. It has further been stated all the 1144 exchanges (248 urban, 896 rural) in Kerala have been equipped with state-of-the-art digital switches interconnected by reliable optical fiber/micro-wave/satellite media. Moreover, all the exchanges are provided with STD/ISD facilities on reliable media. Thus the telephone consumers in the rural areas of the Kerala enjoy the same telecommunication facilities as those residing in the urban areas and hence they are not put into any inconvenience.

### **NON-AVAILABILITY OF EQUIPMENT IN CIRCLES:**

165. During another study tour, the Committee has been apprised by the Circle Heads that cables and other equipments have not been made available to them in time and there has been acute shortage of staff which adversely affects achievement of targets and efficient functioning of the Circles. In evidence, the Committee asked whether there has been any mechanism at the Headquarters to ascertain from the Circles about their constraints and needs. The CMD, BSNL replied that there has been regular mechanism in the Headquarters which interacts with all the Circles, gets feedback from them and then action is taken accordingly. There is a separate wing headed by one Director (Planning) who looks after the equipment and cable requirement of the Circles. He also stated that there was only a little gap for procurement of cables because of certain legal complications of the order. But that has been sorted out and now the authorization has been given to the circles for procuring cables. So far as switching equipment is concerned the availability is more than what is required for the current year as well as for the next year.

**166. The Committee notes that in many parts of Kerala, the urban-rural divide has been stated to be irrational for which telephone subscribers in rural areas are made to pay higher rentals meant for urban areas and a number of other constraints. No doubt, this urban-rural classification is based on the Census Report and all the rural exchanges in Kerala are equipped with state-of-the-art technology, yet the Committee feels that there is no valid reason to charge rural subscribers the rentals meant for urban areas. The Committee will like the DoT to take up the matter with the Planning Commission for reclassification in such cases so that genuine grievances of the people in this regard are redressed.**

**167. The Committee observes that functioning of certain Telecom Circles has been adversely affected due to non-availability of cables and other equipment. The problem has been compounded by acute shortage of staff. The Committee trusts that utmost care will be taken to see that the Circles get the cables and equipment well in time in order to enable them to function upto their optimum level.**

### **ITI**

168. From a statement furnished to the Committee it has been observed that the financial performance of ITI has fallen short by Rs. 228 crore during the year 2002-03. Similarly the physical achievements have fallen short in products like OCB 283 Local, C-DoT MAX-L, WLL CDMA INFRA telephone instruments etc. The Committee desired to know the reasons for ITI being unable to achieve both financial and physical targets during the year 2002-03. It has been stated that ITI could not get sufficient orders in time to achieve the targets during the year 2002-03. The major orders were received from BSNL during the later half of the year which could not be completed due to insufficient lead time. Further, items like New Technology Switches, C-DoT Transmission equipments where value addition is maximum were ordered in meagre quantity by BSL and MTNL because of change in product requirement. Moreover, the price of CDMA WLL INFRA and Transmission equipment has dropped drastically.

169. Asked to state the measures initiated to ensure that targets set for 2003-04 are optimally achieved, it has been stated that the company has initiated the following measures to ensure optimum achievement of targets set for the year 2003-04.

- (i) ITI has taken initiatives in Information Technology and has gained foothold and bagged orders for billing systems, MPLS-VPN, Internet backbone, DOT-SOFT, Call Centres and Info-Kiosk etc.
- (ii) New technology tie ups have been concluded for major products for the year 2003-04.
- (iii) In addition, large number of technical engineers have been trained by the company in new futuristic products such as GSM, CDMA technology, so as to take up installation and maintenance work on a large scale.
- (iv) ITI is also making efforts for getting substantial orders from non-DOT areas also.

170. As regards advance payment to ITI by BSNL and MTNL, the Committee has been informed that ITI supplied its products at its quoted price, if it is L-1 tender. For reservation quota orders, ITI is offered L-1 price of that tender. 75 per cent advance is already being given to ITI by BSNL/MTNL along with the purchase orders against the reservation quota as per the Government policy. Moreover, DoT takes the coordination meetings of ITI, BSNL and MTNL to sort out financial and other issues.

171. The Committee desired to know whether ITI has any in built mechanism to undertake R & D activities to make their products more efficient and competitive. In reply it has been stated that ITI has restructured R & D on the advise of the Consultant appointed and the newly structured R&D has a Division of Core R & D and Engineering Centre where specific focus is given to development and products, how to be more cost effective as well as to achieve modernized infrastructure to meet the requirement of new generation products. Investment to the tune of Rs.11.5 crore has been incurred on Core R & D in the past 2-3 years. Investment has also been made for value engineering products and engineering support at the units for Rs.3 crore. As a result, several results like development of Info-Kiosk, development of IP Phone, customisation and development of NMS/Encryption for networks, design and development of Call Center etc., have been achieved.

172. As regards full utilization of ITI's idle assets, the Committee has been informed that there has been a drastic shift in market demand from fixed to mobile network and thus corresponding need of the equipment which has resulted in some of its plants becoming underutilized or obsolete. With a view to have optimal utilization of its idle assets, ITI has been

taking a number of steps like aggressive marketing in non DOT areas, upgradation of scales of engineers and workmen, securing major targets in IT/Telecom conversion areas etc., besides manufacturing new products like IP Phone, Antenna, Mobile PCO, payphones, intelligent networks, satellite services etc.

**173. The Committee is concerned to note that the physical achievements of ITI for the year 2002-2003 have fallen short of targets in many items like OCB 283 local, C-DOT MAX-L, WLL CDMA INFRA, Telephone instruments etc. due to the reason that major orders were received from BSNL during the later half of the year. Further, due to change in product requirement, orders for New Technology Switches, C-DOT transmission equipment etc. were in meagre quantity. However, to achieve the targets sets for the year 2003-2004, ITI has reportedly initiated a number of measures like New Technology tie ups, obtaining orders for billing system, Internet backbone, call centres etc. The Committee feels that these are steps in right direction and should be continued besides exploring other measures so that ITI is able to achieve the targets optimally for its own sustenance. The Committee also desires BSNL/MTNL to place orders upon ITI in time so that the latter is able to execute the same appropriately.**

**174. The Committee notes that ITI has restructured its R&D activities with an investment to the tune of Rs. 11.5 crore in the past two/three years as a result of which development of Info-Kiosk, IP phone etc. have been achieved. It is equally heartening to note that a number of steps like aggressive marketing in non-DoT areas etc. have been taken up by the Company to optimally utilise its idle assets. The Committee desires the Company to further intensify its R&D activities as well as to judiciously use its idle assets in order to make its products more efficient as well as competitive in view of the challenges all around.**

**MAHANAGAR TELEPHONE NIGAM LIMITED (MTNL)**

175. As regards physical targets and achievement of MTNL, the Committee has been informed that the targets for switching capacity and cellular subscriber base have already been exceeded and target for DELs is likely to be achieved. No other shortfall is expected in the targets except for the target for 200 Digital Loop Carriers (DLCs) which is likely to be achieved to the extent of 85 per

cent. The reason for shortfall in DLC target has been stated to be due to delay in supply of equipments by M/s. Bharat Electronics Limited (BEL) on whom order for 35 DLCs has been placed. The supplies which were to commence by the end of January have not yet started.

176. Regarding optimum achievement of targets fixed for MTNL for the year 2003-04, the Committee has been informed that GSM service in Delhi and Mumbai has already been extended by 1.25 lakhs lines each. WLL (Garuda) in Delhi is planned to be extended by 1 lakh lines in the current year and in Mumbai by 92 K lines by July 2003. Further extension of 400 K lines each for WLL and GSM is planned in both Delhi and Mumbai by March, 2004.

177. To a specific query of the Committee as to when WLL will be available off-the-shelf in Delhi, the CMD, MTNL replied that by the end March, 2003 it would be available off-the-shelf. The Committee desired to know about measures taken by MTNL to improve its performance to attain the highest level of customer satisfaction so that the company could attract new customer as well as retain its existing base. It has been replied that one of the top most objective of the MTNL is to achieve highest level of customer satisfaction for which constant efforts are being made in this direction. It has, further, been stated that the customer care provided by MTNL *vis-à-vis* its competitors in the private sector is much better in many areas. There is an effective mechanism to address customer grievances by holding Lok Adalat and Open House Session in addition to establishment of 49 Customer Service Center and 44 Sanchar Hats in Delhi alone. MTNL has also stated to have introduced in Delhi a number of innovative and customer friendly services like just call 1500 services, simplifications in the procedure of refund of security deposit and application forms, automatic restoration of telephones disconnected due to non payment etc.

178. From the budget document furnished to the Committee, it has been found that fault rate in Delhi is 19.69 per 100 telephones. Apparently as it is the highest in the country, the Committee asked about the measures initiated to curb the fault rate. It has been replied that it has been a constant endeavour of MTNL to improve the services and bring down the fault rate. A number of measures like replacement of old technology switches, replacement of telephone instruments, rehabilitation of external plant, re-installation/maintenance of DPs (Distribution Point), replacement of paper core underground cables, introduction of wireless technology etc., are stated to have been taken by MTNL to curb the fault rate. As a result of such measures, the Committee

has been informed that, the average fault rate in Delhi has come down from 28.44 per 100 telephones in the year 2000 to 19.69 in the current year i.e. 2002-03.

**179. The Committee notes that fault rate in Delhi has come down from 28.44 per 100 telephones in the year 2000 to 19.69 this year i.e. 2002-2003 due to a slew of measures which included replacement of telephones instruments, rehabilitation of external plants, replacement of paper core underground cables etc. that have been taken by the Company over a number of years. In view of the fact that fault rate of 19.69 is still on a higher side, the Committee impresses upon MTNL to intensify the measures already initiated to bring down the fault rate to the lowest extent possible for MTNL can hardly afford to rest upon its laurels in view of the developing competitive environment.**

### **C-DOT**

180. The Committee has been informed that in the year 2000-2001, 285 employees, especially engineers, left the organisation whereas during 2001-2002, 105 people had left it. Asked to state the measures taken to check exodus of trained manpower from C-DOT, the Committee has been informed that a number of measures have been taken by the organisation to prevent attrition of manpower. Such measures include enhancement in house lease maintenance allowance, reimbursement of expenses for purchase of books, telephone bills etc.; introduction of two extra increments for new engineers, subsidy for purchase of computer/accessories/gadgets etc.; constitution of Committees to bring greater transparency in selection and promotional process etc.

181. Referring to its last year's Report where the Committee was assured that the Campus building at Chhattarpur, which was to be completed by December, 2001, would be completed by December, 2002, the Committee desired to know the latest progress in this regard. In reply it has been stated that the R&D Building at Chhattarpur is expected to be completed by December, 2003.

182. In evidence, the Committee enquired from the Executive Director, C-DOT as to when the building would be finally completed. The witness replied that by March, 2003 all the civil works would be completed, partial occupation would commence from October, 2003 and final occupation would be by 31 December, 2003.

183. The lapses in the construction of Campus building have been commented by the Committee in its 18<sup>th</sup> and 34<sup>th</sup> Reports relating to 'Working of C-DOT' and 'Demands for Grants for the year 2002-2003' respectively. In this context, the Committee enquired whether any vigilance enquiry has been carried out into the whole process of the Campus building, as has been recommended in its last year's Report. In reply it has been stated that the Department of Telecommunications constituted a Committee of senior level Departmental Officers to look into the Campus project as a result of which it was found that there was improper and ineffective coordination among various agencies, overlapping command structure, lack of delegation of power to C-DOT engineers etc. and thus there was a complete system failure for which the project suffered.

**184. The Committee observes that C-DOT's attrition of manpower has come down to 105 in the year 2001-2002 from 285 in 2000-2001 due to a number of measures initiated by the organisation which include enhancement in compensation packages and introduction of subsidy and reimbursement in certain cases. The Committee trusts that besides the monetary benefits, other aspects to make the environment/working conditions more congenial should be looked into so that trained professionals are attracted to it.**

**185. The Committee is deeply concerned to observe that there has been avoidable delays in construction of Chhattarpur Campus project which was initially scheduled to be completed by December, 2001. The building is still not complete and the extended target date is December, 2003. The Committee's recommendation in this regard to initiate a vigilance enquiry into the whole process of Campus project has not been carried out and rather a Departmental Committee was constituted to look into the matter. Unjustified promises have been made to the Committee during the last 2 years in this regard. Glaring lapses have been found in construction of this building by the Committee of senior departmental officers which was set up to look into the delay. The Committee has observed improper and ineffective coordination among various agencies, overlapping command structure, lack of delegation of powers to C-DOT engineers and failure of the system. Curiously no step has been taken to fix responsibility for these costly lapses. The Committee, therefore, desires that follow up action should be initiated at the earliest to book the delinquent officials. In view of**



**the fact that it was a complete system failure and considerable time and money has been lost in the process, the Committee reiterates its recommendation to refer the matter to a vigilant agency, preferably independent of DoT, to enquire into the serious delay in the construction of the Campus building so that accountability is fixed.**

New Delhi  
3 April, 2003  
13 Chaitra, 1925 (Saka)

**SOMNATH CHATTERJEE,**  
**CHAIRMAN,**  
STANDING COMMITTEE ON  
INFORMATION TECHNOLOGY

## ACRONYM

1.	ADSL	---	Asynchronous Digital Subscriber Line
2.	BIFR	---	Board of Industrial and Financial Reconstruction
3.	BE	---	Budget Estimate
4.	BS	---	Budgetary Support
5.	BSNL	---	Bharat Sanchar Nigam Limited
6.	BSO	---	Basic Service Operator
7.	C-DoT	---	Centre for Development of Telematics
8.	CMT	---	Cellular Mobile Telecom
9.	DEL	---	Direct Exchange Line
10.	DIAS	---	Direct Internet Access Service
11.	DLC	---	Digital Loop Carrier
12.	DoT	---	Department of Telecommunications
13.	DP	---	Distribution Point
14.	DTS	---	Department of Telecom Services
15.	GSM	---	Global Satellite Mobile
16.	HRD	---	Human Resource Development
17.	IR	---	Internal Resources
18.	ITI	---	Indian Telephone Industries
19.	IUC	---	Interconnection Usage Charge
20.	MTNL	---	Mahanagar Telephone Nigam Limited
21.	NFAP	---	National Frequency Allocation Plan
22.	NLD	---	National Long Distance
23.	NRF	---	National Renewal Fund
24.	NTC	---	New Telephone Connections
25.	NTP	---	New Telecom Policy
26.	OFC	---	Optical Fibre Cable
27.	PSU	---	Public Sector Undertaking
28.	RE	---	Revised Estimate
29.	RSU	--	Remote Switching Unit
30.	SACFA	---	Standing Advisory Committee on Frequency Allocation
31.	SDCA	---	Short Distance Charging Area

32.	TCIL	---	Telecommunications Consultant India Limited
33.	TDSAT	---	Telecom Dispute Settlement and Appellate Tribunal
34.	TEC	---	Telecom Engineering Centre
35.	TNF	---	Technically Non-Feasible
36.	TRAI	---	Telecom Regulatory Authority of India
37.	UHF	---	Ultra High Frequency
38.	USL	---	Universal Service Levy
39.	USO	---	Universal Service Obligation
40.	VHF	---	Very High Frequency
41.	VPT	---	Village Public Telephones
42.	VRS	---	Voluntary Retirement Scheme
43.	WLL	---	Wireless in Local Loop
44.	WMO	---	Wireless Monitoring Organisation
45.	WPC	---	Wireless Planning and Coordination Wing