FIFTH REPORT

STANDING COMMITTEE ON COMMUNICATIONS (1999-2000)

(THIRTEENTH LOK SABHA)

MINISTRY OF COMMUNICATIONS (DEPARTMENT OF TELECOMMUNICATIONS)

[Action Taken by the Government on the Recommendations/Observations contained in the Sixth Report (Twelfth Lok Sabha) of Standing Committee on Communications on Recommendations of Telecom Regulatory Authority of India (TRAI) regarding increase in telephone tariff of basic telecom services]

Presented to Lok Sabha on.........................

Laid in Rajya Sabha on ....

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

March, 2000/Phalguna, 1921 (Saka)

CONTENTS

COMPOSITION OF THE STANDING COMMITTEE ON COMMUNICATIONS (1999-2000)

Shri Somnath Chatterjee — *Chairman*

MEMBERS

Lok Sabha

2. Shri Ambareesha
3. Shri Mahendra Baitha
4. Shri Pawan Kumar Bansal
5. Prof. Dukha Bhagat
6. Shri Tara Chand Bhagora
7. Shri Nikhil Kumar Chaudhary
8. Shri Adhir Ranjan Chowdhary
9. Shri T. Govindan
10. Adv. Uttamrao Dhikale
11. Shri Jawahar Lal Jaiswal
12. Shri K.K. Kaliappan
13. Shri Shreechand Kriplani
14. Dr. C. Krishnan
15. Shri Bhartruhari Mahtab
16. Shri Simranjit Singh Mann
17. Shri G. Ram Mohan
18. Shri A.K. Moorthy
19. Shri Karia Munda
20. Shri K. Balrama Krishna Murthy
21. Shri Sheeshram Singh Ravi
22. Shri K.A. Sangtam
23. Shri Saroj Tufani
24. Sardar Buta Singh

25. Shri Chandra Vijay Singh
26. Rajkumari Ratna Singh
27. Shri Vinay Kumar Sorake
28. Shrimati D.M. Vijaya Kumari
29. Vacant
30. Vacant

Rajya Sabha

31. Dr. M.N. Das
32. Shrimati Veena Verma
33. Shri Balkavi Bairagi
34. Shri Shatrughan Sinha
35. Shri Narendra Mohan
36. Dr. Mahesh Chandra Sharma
37. Dr. Y. Radhakrishna Murthy
38. Shri Munavvar Hasan
39. Shri S. Agniraj
40. Shri Kartar Singh Duggal
41. Miss Lata Mangeshkar
42. Shri Cho. S. Ramaswamy
43. Shri R.N. Arya
44. Vacant
45. Vacant

SECRETARIAT

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

INTRODUCTION

I, the Chairman, Standing Committee on Communications (1999-2000) having been authorised by the Committee to submit the Report on its behalf, present this Fifth Report on Action Taken by Government on the recommendations/Observations of the Committee contained in its Sixth Report (Twelfth Lok Sabha) on Recommendations of Telecom Regulatory Authority of India (TRAI) regarding increase in telephone tariff of basic telecom services relating to Ministry of Communications (Department of Telecommunications).

2. The Sixth Report was presented to Lok Sabha on 2 December, 1998 and also laid in Rajya Sabha on 30 November, 1998. The Government furnished Action Taken Notes on the recommendations contained in the Report on 20 April, 1999.

3. The Report was considered and adopted by the Committee at its sitting held on 27 January, 2000.

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

5. An analysis of Action Taken by Government on the recommendations/observations contained in the Sixth Report of the Standing Committee on Communications (Twelfth Lok Sabha) is given in Appendix-II.

NEW DELHI;
11 *February*, 2000
22 *Magha*, 1921 *(Saka)*

SOMNATH CHATTERJEE,
Chairman,
Standing Committee on Communications.

CHAPTER I

REPORT

This Report of the Standing Committee on Communications deals with the action taken by the Government on the recommendations contained in its Sixth Report (Twelfth Lok Sabha) on proposals of Telecom Regulatory Authority of India regarding increase in Telephone Tariff of Basic Telecom Services relating to the Ministry of Communications (Department of Telecommunications).

2. The Sixth Report was presented to Lok Sabha on 2.12.1998 and was also laid on the Table of Rajya Sabha on 30.11.1998. It contained 06 Observations/Recommendations.

3. Action taken notes in respect of all the observations/recommendations in the Report have been received and categorised as under:

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

Paragraph No. 38

Total 1
Chapter II

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

Paragraph No. 40

Total 1
Chapter III

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

Paragraph Nos. 35, 36, 37 and 39

Total 4
Chapter IV

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

Paragraph No. NIL

Total Nil
Chapter V

4. The Committee trusts that utmost importance would be given to the implementation of the recommendations accepted by the Government. In cases, where it is not possible for the Department to implement the recommendations for any reason, the matter should be reported to the Committee with reasons for non-implementation.

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

Impact of the Recommendations of TRAI and profitability of DoT (Paragraph Nos. 35 and 36)

6. The Committee in its Sixth Report had noted that Telecom Regulatory Authority of India (TRAI)'s proposal for restructuring telecom tariff involved steep hike in rentals of telephones and calls from 63 *percent* to 220 *percent;* reduction in local call pulse from 5 minutes to 3 minute @ Rs. 1.30 per pulse; significant reduction in STD/ISD rates by about 50 percent; reduction of STD/ISD peak tariff period to 8 hours from the existing 11/17 hours and reduction of STD distance slab from seven to four. These proposals since publication on 9 September, 1998 obviously created a great concern among telephone subscribers besides coming into direct conflict with the avowed objectives of National Telecom Policy, 1994 which promised telecommunication for all and within the reach of all as well as universal service covering all villages. Opining that cost based tariff structure was not the only suitable structure for the country to increase telephone density, the Committee impressed upon the Government and TRAI to examine in depth the implications of introduction of cost based tariff structure under the circumstances of absence of perfect competition in basic telecom services and requirement of funds generated by the long distance call tariff for expansion of telecom services in rural areas.

7. The Committee further noted that TRAI's proposals would cost DoT Rs. 52,318 crore in terms of internal resource generation during

CHAPTER I

REPORT

This Report of the Standing Committee on Communications deals with the action taken by the Government on the recommendations contained in its Sixth Report (Twelfth Lok Sabha) on proposals of Telecom Regulatory Authority of India regarding increase in Telephone Tariff of Basic Telecom Services relating to the Ministry of Communications (Department of Telecommunications).

2. The Sixth Report was presented to Lok Sabha on 2.12.1998 and was also laid on the Table of Rajya Sabha on 30.11.1998. It contained 06 Observations/Recommendations.

3. Action taken notes in respect of all the observations/recommendations in the Report have been received and categorised as under:

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

Paragraph No. 38

Total 1
Chapter II

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

Paragraph No. 40

Total 1
Chapter III

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

Paragraph Nos. 35, 36, 37 and 39

Total 4
Chapter IV

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

Paragraph No. NIL

Total Nil
Chapter V

4. The Committee trusts that utmost importance would be given to the implementation of the recommendations accepted by the Government. In cases, where it is not possible for the Department to implement the recommendations for any reason, the matter should be reported to the Committee with reasons for non-implementation.

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

Impact of the Recommendations of TRAI and profitability of DoT (Paragraph Nos. 35 and 36)

6. The Committee in its Sixth Report had noted that Telecom Regulatory Authority of India (TRAI)'s proposal for restructuring telecom tariff involved steep hike in rentals of telephones and calls from 63 *percent* to 220 *percent;* reduction in local call pulse from 5 minutes to 3 minute @ Rs. 1.30 per pulse; significant reduction in STD/ISD rates by about 50 percent; reduction of STD/ISD peak tariff period to 8 hours from the existing 11/17 hours and reduction of STD distance slab from seven to four. These proposals since publication on 9 September, 1998 obviously created a great concern among telephone subscribers besides coming into direct conflict with the avowed objectives of National Telecom Policy, 1994 which promised telecommunication for all and within the reach of all as well as universal service covering all villages. Opining that cost based tariff structure was not the only suitable structure for the country to increase telephone density, the Committee impressed upon the Government and TRAI to examine in depth the implications of introduction of cost based tariff structure under the circumstances of absence of perfect competition in basic telecom services and requirement of funds generated by the long distance call tariff for expansion of telecom services in rural areas.

7. The Committee further noted that TRAI's proposals would cost DoT Rs. 52,318 crore in terms of internal resource generation during

the period of perspective plan *i.e.* 1997-2007. DoT's Perspective Plan envisaged addition of 470 lakh telephone lines to achieve a tele-density of 9 percent by 2007. Internal Resource Generation for that period was projected at Rs. 2,21,734 crore which would come down to Rs; 1,33,778 crore and therefore DoT would be required to borrow funds to the tune of Rs. 98,224 crore from the market as Extra Budgetary Resource (EBR) instead of Rs. 10,268 crore as planned originally. Moreover, additional interest liability @ 15 percent would workout to Rs. 47,203 crore which would be 42.3 percent of the capital employed. The Committee, therefore, concluded that the proposed tariff would retard the growth of telephone density besides crippling the DoT. To the Committee, TRAI's observations that DoT would continue to maintain its prevailing profitability and that it would have only some and not a major loss of revenue, appeared to be based more on assumptions than on any in-depth analysis and study.

8. The Department in its Action Taken Note has stated that the Observations/Recommendations of the Committee were forwarded to TRAI on 22.12.1998 for consideration and TRAI in its reply dated 19.2.1999 mentioned that in the determination of tariff, it would take into account the views expressed by the Committee. However, TRAI's Tariff Order Notification dated 9 March, 1999 envisaged substantial increase in rental and local call charges. Over a time span of 3 years the range of increase in rentals notified by TRAI varied from 20% to 140%. Similarly, increase ranging from 25% to 33% were also announced in local call charges.

9. The Department has further stated that in order to help economically weaker sections of subscribers, particularly persons living in villages and those belonging to lower income groups in urban areas and in tune with Government's commitment to increase teledensity and further extend telecom facilities in rural and remote areas at affordable cost, the following basic service tariff was announced in respect of DoT and MTNL on 27 March, 1999:-

(i) no increase either in rentals or call charges for all rural subscribers as well as urban low income groups making calls upto 200 units per month.

(ii) no decrease in the existing free call limits for all categories of subscribers; and

(iii) the reduction in Long Distance rates as suggested by TARI without any change.

10. The Department has also stated that after the issue of the New Tariff order by the TRAI, New Telecom Policy has been announced by the Government which significantly alters the economies of the Telecom sector. Therefore, the Government has asked TRAI to implement the tariff order for one year and to rework the tariff rates for the subsequent periods in such a manner that the new rates are in synchronisation with the Government's New Telecom Policy.

11. The Department has estimated that if the original TRAI tariff order of 9 March, 1999 were to be implemented, the revenues of the DoT were likely to be reduced by Rs. 725 crore in the first year. With the Department's announcement of an alternative tariff package which include concessions to rural areas and to low calling urban subscribers, the estimated revenue loss would go up to approximately Rs. 1920 crore in the first year.

12. However, the Department has assured the Committee that it would be the endeavour of the Department not to allow any cut-back on the developmental plans due to the projected drop in the revenue. Rather it would support the original plan of 1999-2000 with augmentation of resources in whatever way possible, including more borrowing from the capital market.

13. The Department has also stated to be in agreement with the observation of the Committee that TRAI's conclusion of DoT being able to maintain its prevailing profitability and incurring only some and not a major loss of revenue seemed to be based more on assumptions than on any in-depth analysis and study.

14. The Committee is not satisfied with the sequence of events that followed the presentation of its Sixth Report to the Lok Sabha. Although the TRAI in its reply dated 19 February, 1999 indicated to the DoT that the Observations/Recommendations of the Committee would be taken into account in the determination of tariff, yet TRAI's Tariff Order Notification dated 9 March, 1999 envisaged substantial increase in rentals and local call charges, contrary to the recommendations of the Committee. To worsen the matter, over a time span of three years the range of increase in rentals and local call charges, as notified by TRAI, would vary from 20% to 140%

and 25% to 33% respectively. However, the Committee draws some consolation out of the announcement of the basic service tariff on 27 March, 1999 in respect of DoT and MTNL which envisages no increase either in rentals or call charges for all rural subscribers as well as urban low income groups making calls upto 200 units per month and no decrease in the existing free call limits for all categories of subscribers. Although the Government has asked TRAI to implement its tariff order for one year in view of the New Telecom Policy 1999, yet the damage has already been done as apprehension regarding loss of revenue by DoT has been proved to be correct as DoTs estimated revenue loss is going to be as much as Rs. 1920 crore in the first year of the implementation of the TRAI Tariff Order. The Committee appreciates that there would be no cut-back on the developmental plans of DoT in the coming years due to the aforesaid projected drop in the revenue, as assured by the Department. However, the Committee does not subscribe to the TRAI's views of DoT being able to maintain its prevailing profitability and sustaining some minor loss of revenue as, is corroborated by the projected staggering loss of revenue to DoT. Moreover the tariff notification of TRAI although to be implemented for a year at the first instance, if it happens to be so, would come into direct conflict with the objectives of the New Telecom Policy 1999, which set availability of affordable and effective communications for the citizens at the core of the vision and goal of the telecom policy. Another objective of the New Telecom Policy 1999 i.e. to make available telephone on demand by the year 2002 and sustaining it thereafter so as to achieve a teledensity of 7 by the year 2005 and 15 by the year 2010 would also suffer setback should the Government persist with TRAI's tariff order. The Committee is of the opinion that cost based tariff structure is not the only suitable solution in the present basic telecom scenario where competition hardly exists and huge funds are badly required for expansion of telecommunication services. Needless to mention, the matter in its entirety need to be re-exmained in depth and on urgent basis.

Steep hike in rentals and its adverse impact on the growth of telecom Network (Paragraph No. 37)

15. The Committee in its Sixth Report had noted that DoT's apprehensions of "63 percent to 220 percent" increase in bi-monthly rents, as too high and abrupt which would substantially depress the demand particularly in rural areas in view of the insignificant presence of private service providers, required an in-depth study and appreciation before commending TRAI's proposals.

16. The Department in its Action Taken Note has stated that it is in agreement with the views of the Committee.

17. the Committee reiterates that the abrupt increase from 63 *percent* to 220 *percent* increase in bi-monthly rents is too high which would substantially depress the demand for telephones. Although there has been no increase either in rentals or call charges for all rural subscribers as well as urban low income groups making calls upto 200 units per month, yet the matter, in view of the insignificant presence of the Private Service Providers and uncertainty over the extent of emerging competition, is required to be analysed in depth after a year of its implementation as suggested by the Government. Thereafter, it should be reviewed as per stipulations in the New Telecom Policy, 1999.

Marginal increase in rentals (Paragraph No. 39)

18. The Committee in its Sixth Report had expressed the view that there was no reason to rush to restructure the telecom basic services tariff on the pattern of the Industrialised Nations who had already achieved high levels of telephone density and household penetration. Keeping in view the ground realities and strong public resentment the Committee recommended only marginal increase in rentals ranging upto 25 *percent* to 35 *percent* to make up for the increased cost of service as the tariff has not been revised since 1993.

19. The Department has stated that it is in agreement with the views of the Committee.

20. The Committee is not satisfied with the response of the Department Despite its being in agreement with the Committee's view, no concrete action has been taken in this regard. The Committee would, therefore, like to reiterate its earlier recommendation that unlike the Industrialised Nations, only marginal increase in rentals, over and above item (i) of the basic service tariff as announced on 27 March, 1999 be enforced to make up for the increased cost of service and in view of the non-revision of tariff since 1993. The Committee trusts that the matter would be reviewed in-depth after implementation of New Telecom Policy Policy for a year.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para No. 38)

The Committee is highly perturbed to note the outcome of the studies made by some experts of the TRAI proposals to restructure the tariff of basic telecom services. These studies point out that bi-monthly bills of people who restrict telephone use to mostly local calls are likely to increase by 52–72 percent in metropolitan cities and by 140–310 percent in rural areas. On the other hand, overall bills of the business and affluent sections of the society making a lot of long distance domestic and international calls may come down by 30 percent to 50 percent. The Committee desires that TRAI's proposals may be examined in the light of these Expert studies to arrive at correct conclusions and as a matter of last resort, the Government may consider taking recourse to the provisions of Section 25(2) of the Act. However, it is expected that before such action is taken, the views of the Committee will be ascertained.

Reply of the Government

Soon after the annoucnement of Tariff Order by TRAI, the steep increase in Rentals and local call charges invited sharp criticism from Public and Members of both Houses of Parliament. After careful consideration, the Government issued directive to TRAI to keep their Tariff Order in abeyance till the entire issue was considered by the Government. In the meantime, the New Telecom Policy was announced. After consideration of the matter in its entirety and to help the economically weaker sections, particularly persons living in villages and those belonging to low income groups in urban areas and in tune with Government's commitment to increase teledensity and further extend telecom facilities in rural and remote areas at an affordable costs, the Government announced on 27.3.99 an alternative tariff package to be implemented by the Department of Telecom and Mahanagar Telephone Nigam Limited. The alternative tariff package envisages no increase either in rental or call charges for all rural subscribers as well as urban low income groups making upto 200 call units per month and no decrease in free call limits for all categories of subscribers.

In view of the New Telecom Policy announced by the Government which is expected to have a significant impact on the economics of Telecom sector, it has been decided to implement the tariff order of 9th March 99 only for one year. For the subsequent years, the TRAI has been asked to rework the tariff rates in such a manner that the new rates are in synchronisation with the Govt's New Telecom Policy.

[No. 16-12/98 R & C dated 20.04.99]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLY OF THE GOVERNMENT

Recommendation (Para No. 40)

The Committee appreciates that the TRAI held open house discussion with the interested groups to arrive at a just conclusion with regard to tariff restructuring. However, small subscribers, whether residential or small businesses, particularly those in rural areas, have gone unrepresented in the absence of a suitable organisation to espouse their causes and concerns. Only the service providers and the large subscribers of services appear to have benefited the most from these consultations. This deficiency should be taken care of by the TRAI/Government in future consultations.

Reply of the Government

It is fact here that the Open House Sessions held by TRAI for Public Consultations on telecom tariffs were mainly in big cities *viz.* New Delhi, Ahmedabad, Mumbai, Calcutta, Hyderabad, Bangalore, Lucknow, Jammu and Chennai. However, some of the letters received in this Department from individual subscribers and a few consumer organisations from semi-urban and rural areas were forwarded to TRAI for appropriate action.

[No. : 16-12/98 R & C, dated 20.04.99]

CHAPTER IV

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

Recommendation (Para No. 35)

The Committee notes that under the power vested by section 11 of Telecom Regulatory Authority of India Act, 1997, the Telecom Regulatory Authority of India (TRAI) has proposed restructuring of telecom. tariff link tariff formulation based on the cost of the service. It aims to provide a framework for tariff policy and achieve cost based prices through regulations and/or competition. However, the proposals as recommended by the TRAI would result in steep hike in rentals of telephones and calls from 63 percent to 220 percent; reduction in local call pulse from 5 minutes to 3 minutes @ Rs. 1.30 per pulse; significant reduction in STD/ISD rates by about 50 percent; reduction of STD/ISD peak tariff period from the existing 11/17 hours to 8 hours and reduction of STD distance slab from the existing seven to four. These proposals have created a great concern among telephone subscribers since publication on 9 September, 1998 and the Committee has received a number of representations strongly deprecating them. The Department of Telecommunications has also reportedly received a large number of representations from the public. Examination of these proposals relating to basic telecom services, by the Committee brings out the following disquieting aspects:—

(a) The TRAI aims to achieve cost-oriented tariff structure to prepare ground for competition among different operators "to provide a consistent and transparent frame work for tariff policy and also to simplify the prevailing system of telecom tariff". However, these proposals come into direct conflict with the avowed objectives of National Telecom Policy, 1994 which promises telecommunication for all and within the reach of all as well as universal service covering all villages. The Committee finds that cost based tariff structure is not the only suitable structure for our country to increase telephone density. The DoT, which has been the sole telecom service provider till recently is under obligation to provide telecom services to the target groups through cross subsidisation and this policy has yielded the desired results by stimulating the telephone density particularly in rural areas. The Committee therefore, will like the Government and the TRAI to examine in depth, the implications of introduction of cost based tariff structure under the present circumstances when conditions of perfect competition do not exist at all in basic telecom service and that funds generated by the long distance call tariff are required desperately for expansion of telecom in rural areas. The cost plus principal can hardly be applied in the present state of communication network and should not be applied till fairly good telephone density is achieved.

(b) In pursuance of the National Telecom Policy, 1994 objectives the DoT has been providing telecom services even in non-remunerative areas *viz* remote and difficult areas and village public telephones (VPTs) etc. by cross subsidisation. However, the studies made by DoT with regard to the impact of TRAI's proposals on its revenues indicate substantial drop in internal resources of DoT and MTNL at least by nearly 55 percent in the year 1999-2000. This would necessitate revision of funding pattern in the remaining years of the Perspective Plan (1997-2007) or alternately hike in the telecom tariff.

(c) The Committee is deeply concerned to note that as per the DoT studies, TRAI's proposals will cost Rs. 52318 crores in terms of internal resource generation during the period of Perspective Plan (1997-2007). DoT has prepared Perspective Plan (1997-2007) envisaging addition of 470 lakh telephone lines to achieve a tele-density of 9 percent by 2007. Internal Resource Generation is projected at Rs. 2,21,734 crores which will come down to Rs. 1,33,778 crores. DoT will be required to borrow funds to the tune of Rs. 98,224 crores from market as Extra Budgetary Resources (EBR) instead of Rs. 10,268 crores planned originally. Additional interest liability @ 15 percent would work out to Rs. 47,203 crores which will be 42.13 percent of the capital employed against nil at present. This is quite alarming requiring attention at the highest level in the Government. Needless to say, the proposed tariff would retard growth of telephone density and would be crippling for the DoT if interest liability on account of increased market borrowings is taken into account. The DoT has also questioned the costing methodology adopted by the TRAI as well as the assumptions made by it to arrive at certain conclusions. These require to be examined in depth with an open mind keeping in view the overall interest of the consumer of telephone services of all categories as is required by section 11(1)(i) of the Act. The drastic reduction in long distance call rate will hurt the private service providers as well as the DoT.

Reply of the Government

The observations/recommendations of the Standing Committee on Communications in Paras 35 to 40 of their Report were forwarded to TRAI on 22.12.98 for consideration. In their reply dated 19.2.99 TRAI mentioned that in the determination of tariff, TRAI would take into account the views expressed by the Standing Committee on Communications. Subsequently, the TRAI notified the Telecom tariff order on 9th March 1999.

However, TRAI's Tariff Order dated 9th March 1999 envisaged substantial increases in rental and local call charges. Over a time span of 3 years, the range of increase in rentals notified by TRAI varied from 20% to 140%. Similarly, increases ranging from 25% to 33% were also announced in local call charges.

To help economically weaker sections of subscribers, particularly persons living in villages and those belonging to lower income groups in urban areas and in tune with Government's commitment to increase tele-density and further extend telecom facilities in rural and remote areas at affordable costs, the Government decided that the Department of Telecom and Mahanagar Telephone Nigam Limited will not increase rentals and call charges in respect of such rural and low calling subscribers (upto 200 calls per month) in other areas. With these objectives in view, the following basic service tariff was announced in respect of DoT and MTNL on 27.03.99:

(i) No increase either in rentals or call charges for all rural subscribers as well as urban low income groups making calls upto 200 units per month;

(ii) No decrease in the existing free call limits for all categories of subscribers;

(iii) The reduction in Long Distance rates as suggested by TRAI without any change.

After the issue of the New Tariff Order by the TRAI, New Telecom Policy has been announced by the Government which significantly alters the economics of the Telecom Sector. Therefore, the Government has asked the TRAI to implement the Tariff Order for one year and to rework the tariff rates for the subsequent periods in such a manner that the new rates are in synchronisation with the Government's new Telecom Policy.

A quick assessment of financial implications of the New Tariff Order has been made. It is estimated that if the original TRAI Tariff Order of March 9, 1999 were to be implemented, the revenues of the Department of Telecom were likely to reduce by Rs. 725 crores in the first year. However, since the Department has decided to announce alternative tariff package, with concessions to rural areas and to low calling urban subscribers, the estimated revenue loss for the Department of Telecom would go up to approximately Rs. 1920 crores in the first year.

Although there is a projected drop in revenues as stated above, it shall be the endeavour of the department not to allow any cut-back on the developmental plans and instead to support the original plan of 1999-2000 with augmentation of resources in whatever way possible, including more borrowing from the capital market.

[No. 16-12/98 R&C dated 20.04.99]

Comments of the Committee

(Please *see* Paragraph No. 14 of Chapter I)

Recommendation (Para No. 36)

In the light of these findings, the TRAI's observations that DoT will continue to maintain its prevailing profitability and that it would have only some and not a major loss of revenue appear to be based more on assumptions than on any indepth analysis and study.

Reply of the Government

This Department is in agreement with observations made by the Standing Committee.

[No. 16-12/98 R&C dated 20.04.99]

Comments of the Committee

(Please *see* Paragraph No. 14 of Chapter I.)

Recommendation (Para 37)

The Committee notes that at present, DoT is only major basic service provider and private service providers have insignificant presence in a few circles. Neither TRAI nor DoT can visualize the extent of emerging competition. On the other hand, if private operators fialed to enter basic services in a big way, the growth in telecom network will certainly be retarded. The DoT's apprehensions that "63 percent to 220 percent" increase in bi-monthly rents are too high and abrupt, and would substantially depress the demand particularly in rural areas require an in-depth study and appreciation before commending TRAI's proposals.

Reply of the Government

The Department is in agreement with the observations of the Standing Committee.

[No. : 16-12/90 R & C dated 20.04.99]

Comments of the Committee

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

Recommendation (Para 39)

The Committee is of the view that there is no reason to rush to restructure the telecom basic services tariff on the pattern of industrialised nations and it is hoped that TRAI as well as the Government will take note of the views of the Committee before finally deciding the tariff. The TRAI's proposals should be examined in the light of policy objectives enshrined in the National Telecom Policy 1994 to achieve telecommunication for all and within the reach of all as well as to achieve universal service and also planned surplus resource generation programme of fund for future expansion of telecom network. The industrialised nations have already achieved high levels of telephone density and household pentration for which we are striving and there is no hope of reaching these levels, in the near future. Judged in the light of strong public reaction to TRAI's proposals, and the ground realities, the Committee feels that it may not be possible to make a steep increase in rentals acceptable to the consumers. The Committee, therefore, recommends only marginal increase in rentals ranging upto 25 percent to 35 percent on the lines suggested by the DoT to make up for the increased cost of service as the tariff has not been revised since 1993.

Reply of the Government

The Government is in agreement with the views of the Standing Committee.

[No. 16-12/98 R&C dated 20.04.99]

Comments of the Committee

(Please *see* Paragraph No. 20 of Chapter I.)

CHAPTER V

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

—NIL—

NEW DELHI;
11 *February,* 2000
22 *Magha,* 1921 *(Saka)*

SOMNATH CHATTERJEE,
Chairman,
Standing Committee on Communications.

APPENDIX I

MINUTES OF THE SECOND SITTING OF THE STANDING COMMITTEE ON COMMUNICATIONS (1999-2000)

The Committee sat on Thursday, the 27th January, 2000 from 1500 hours to 1700 hours in Committee Room No. 53, Parliament House, New Delhi.

PRESENT

Shri R.N. Arya — *In the Chair*

MEMBERS

Lok Sabha

2. Shri Ambareesha
3. Shri Mahendra Baitha
4. Shri Pawan Kumar Bansal
5. Shri Nikhil Kumar Chaudhary
6. Shri T. Govindan
7. Shri Jawahar Lal Jaiswal
8. Shri K.K. Kaliappan
9. Dr. C. Krishnan
10. Shri Bhartruhari Mahtab
11. Shri Simranjit Singh Mann
12. Shri G. Ram Mohan
13. Shri A.K. Moorthy
14. Shri A.K. Balrama Krishna Murthy
15. Shri K.A. Sangtam
16. Shri Saroj Tufani
17. Shri Chandra Vijay Singh
18. Rajkumari Ratna Singh
19. Shri Vinay Kumar Sorake
20. Shrimati D.M. Vijaya Kumari

Rajya Sabha

21. Shrimati Veena Verma
22. Shri Balkavi Bairagi
23. Shri Shatrughan Sinha
24. Shri Narendra Mohan
25. Dr. Mahesh Chandra Sharma
26. Dr. Y. Radhakrishna Murthy
27. Shri S. Agniraj
28. Shri Kartar Singh Duggal

SECRETARIAT

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

2. As the Chairman was not present, the Committee authorised Shri R.N. Arya, to preside over the Sitting of the Committee Under Rule 258(3). The Chairperson then, on behalf of the Chairman, welcomed the Members who could not attend the First Sitting of the Committee which was held on 12 January, 2000.

3. The Committee then took up for consideration the following Draft Reports and adopted the same with some amendments/ modifications as shown below:—

(i) ** ** ** ** **

(ii) ** ** ** ** **

(iii) ** ** ** ** **

(iv) Draft Fifth Report on Action Taken by Government on the recommendations of the Committee contained in its Sixth Report on the recommendations of Telecom Regulatory Authority of India (TRAI) regarding increase in telephone tariff of Basic Telecom Services relating to the Department of Telecommunications. (Annexure 'D)'

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

5. The Committee then authorised the Chairman to finalise and present the above mentioned Reports to the House.

6. Some of the Members of the Committee suggested that a Sub-Committee may be constituted to consider action taken by Government on those recommendations of the Committee made in its earlier Reports which have been accepted by the Government.

The Committee then adjourned.

ANNEXURE 'D'

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

Page No.	Para No.	Line No.	For	Read
5	14	5 (from bottom)	"would therefore like the Department to impress upon TRAI the fact"	"is of the opinion"
5	14	last	Add at the end:- "and on urgent basis".	
6	17	1	"shares the Department's concern that"	"reiterates that the abrupt increase from"
6	17	last	"in the light of"	"as per stipulations in the"
6	20	2	"but without any concrete action"	"no concrete action has been taken in this regard"
6	20	3	Delete:- "on the pattern of"	

APPENDIX II

(*Vide* Para 5 of Introduction of Report)

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE SIXTH REPORT OF STANDING COMMITTEE ON COMMUNICATIONS (TWELFTH LOK SABHA)

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

Paragraph No. 38

Total 01

Percentage: 16.6%

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

Paragraph No. 40

Total 01

Percentage: 16.6%

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

Paragraph Nos. 35, 36, 37 and 39

Total 04

Percentage: 66.6%

(iv) Recommendations/observations in respect of which replies of the Government are of interim nature.

Paragraph No. Nil

Total Nil