

# EIGHTH 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 Twelfth Report (Twelfth  
Lok Sabha) of Standing Committee on Communications  
on 'Working of Telecom Factories']*

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

*Laid in Rajya Sabha on .....*



LOK SABHA SECRETARIAT  
NEW DELHI

March, 2000/Phalgun, 1921 (Saka)

## CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE.....	(iii)
INTRODUCTION.....	(v)
CHAPTER I Report.....	1
CHAPTER II Recommendations/Observations which have been accepted by the Government.....	9
CHAPTER III Recommendations/Observations which the Committee does not desire to pursue in view of the Government's replies.....	14
CHAPTER IV Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration.....	21
CHAPTER V Recommendations/Observations in respect of which Government have furnished interim replies.....	26

### APPENDICES

I	Minutes of the Fifth Sitting of the Standing Committee on Communications (1999-2000) held on 1.3.2000.....	27
II	Analysis of Action Taken by Government on the recommendations contained in the Twelfth Report of Standing Committee on Communications (Twelfth Lok Sabha).....	30

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. Adv. Uttamrao Dhikale
10. Shri T. Govindan
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

(iv)

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. Vacant
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 Eighth Report on Action Taken by Government on the Recommendations/Observations of the Committee contained in its Twelfth Report (Eleventh Lok Sabha) on 'Working of Telecom Factories' relating to the Ministry of Communications (Department of Telecommunications).

2. The Twelfth Report was presented to Lok Sabha on 21 April, 1999 and was also laid in Rajya Sabha on 23 April, 1999. The Government furnished Action Taken Notes on the recommendations contained in the Report on 20 July 1999.

3. The Report was considered and adopted by the Committee at its sitting held on 1 March, 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 contained in the Twelfth Report of Standing Committee on Communications (Twelfth Lok Sabha) is given in Appendix-II.

NEW DELHI;  
3 March, 2000  

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13 Phalguna, 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 Government on the Recommendations/Observations contained in its Twelfth Report (Twelfth Lok Sabha) on "Working of Telecom Factories" pertaining to the Ministry of Communications (Department of Telecommunications).

2. The Twelfth Report was presented to Lok Sabha on 21 April, 1999 and was also laid on the Table of Rajya Sabha on 23 April, 1999. It contained 26 Recommendations/Observations.

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

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

Paragraph Nos.:— 54, 55, 56, 58, 61, 62, 63, 77 and 102

Total 9

Chapter II

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

Paragraph Nos.:— 50, 51, 52, 60, 64, 78, 80, 81, 98, 99, 100 and 101

Total 12

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.:— 49, 53, 57, 59 and 79

Total 5

Chapter IV

- (iv) Recommendations/Observations in respect of which replies are of interim nature

Paragraph Nos.:— 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 in their letter and spirit for any reason, the matter should be reported to the Committee with reasons for non-implementation. The Committee further desires that Action Taken Notes on the Recommendations/Observations contained in Chapter-I of this Report should be furnished to it at an early date.

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

#### **Technological Obsolescence in Telecom Factories** (Paragraph No. 49)

6. The Committee in its Twelfth Report on 'Working of Telecom Factories' had expressed unhappiness over the fact that the Department of Telecommunications had not taken timely steps to modernise and assign purposeful role to its Telecom Factories in the changing scenario whereas old electronic exchanges had been replaced by Electronic Exchanges all over the country. The indecision had cost the nation dearly as the factories were rendered sick with a large number of idle workforce, their annual production was dwindling and idle capacity increasing, workforce was totally demoralised as their future appeared bleak, costly assets were rusting and Department of Telecommunications had to secure supplies from private companies.

7. The Department of Telecom in its Action Taken Note has stated that setbacks are inevitable for a manufacturing unit in a rapid changing technological scenario and Telecom Factories were also touched slightly when several conventional products manufactured by them became obsolete. Moreover, with proper planning, the Department has been able to increase the turnover of the Telecom Factories by inducting new items and increasing production of the other items.

8. The Department has further stated that the major products of Telecom Factories have been used in the external plant of Telecom Network which is required irrespective of the type of the switching equipment. There is no adverse effect due to change of technology on the demand of these products.

9. As regards the surplus manpower, it has been stated that products which were phased out were labour intensive whereas new products inducted were technology oriented and the workforce thus made available by higher productivity was utilised for production of new items. At present there are stated to be no surplus workers in Telecom Factory, Calcutta while process was on for redeployment

of surplus workforce of Mumbai Factory within the Department. The entire production of Telecom Factories is stated to be utilised by the Department and only any additional quantities are being purchased from outside.

**10. The Committee is not convinced by the reply of the Department that the entire production of Telecom Factories was being utilised by the Department and only additional quantities were being purchased from outside. The fact appears to be that the items were procured by the Department from outside while production capacity of Telecom Factories was not fully utilised. The Committee, therefore, recommends that the Department should take urgent measures so that production capacities and/or capacity utilisation of the items being produced at the Telecom Factories is optimised and the demand of the Department is met by its own Telecom Factories. The surplus labour force may be redeployed for the purpose.**

#### **Poor Capacity Utilisation of Products in Telecom Factories**

**(Paragraph No. 53)**

**11.** The Committee in its Twelfth Report took a serious note of the fact that even though capacity utilisation for Support Bracket, Socket and Sole Plates was only 45 per cent, 32 per cent and 6 per cent, respectively, yet these items were procured from the open market. The Committee enquired about the quantity procured from open market of each of these products with reasons of procuring them from outside when idle captive capacity was available with the Department of Telecommunications.

**12.** The Department of Telecom in its Action Taken Note has stated that during 1997-98, 15,42,605 nos. of Socket, 2,40,000 nos. of Sole Plate and 7,58,150 nos. of Support Bracket were procured from the open market because the requirement for these items was beyond the production capacity of the Telecom Factories.

**13.** The Committee notes that Department of Telecommunications had to procure 15,42,605 nos. of Socket, 2,40,000 nos. of Sole Plate and 7,58,150 nos. of Support Bracket from the open market during 1997-98. The reason given for the same i.e. the requirement of the Department for these items was beyond the production capacity of the Telecom Factories is not convincing as the Committee was earlier informed that the capacity utilisation of the above mentioned items was 45 per cent, 32 per cent and 6 per cent, respectively, during 1997-98. Had production capacity of these items been fully utilised, the Department could have fulfilled its requirement from Telecom Factories. The Committee, therefore, recommends that the Department of Telecommunications should first utilise the production capacities of Telecom Factories before

procuring the products from the open market. The Committee would further like to be apprised of the capacity utilisation of Sockets, Sole Plates and Support Bracket during 1998-99 and the quantity, procured if any, from outside and the reasons for the same.

#### **Procurement of items from open market**

**(Paragraph No. 57)**

14. The Committee, in its Twelfth Report on 'Working of Telecom Factories' was unhappy to note that out of the items that were being produced in the Telecom Factories, the Department of Telecom was purchasing only 30 per cent of the same and the rest were purchased from the open market. The Committee pointed out that though indigenous capacity in the country that has come up had to be supported but that should not be done at the cost of Telecom Factories. The Committee, therefore, desired that the Department of Telecommunications should first fully utilise the capacities of captive units before procuring those items from the market.

15. The Department of Telecommunications in its Action Taken Note has stated that it aimed at full utilisation of the capacity of the captive units and only those items whose production was inadequate to meet the demands of the Department were procured from the open market.

16. The Committee appreciates that the Department of Telecommunications aims at full utilisation of captive capacity of Telecom Factories and that only those items whose production was inadequate to meet the demands of the Department were procured from the open market. However, it desires that steps should be taken to increase the production to an extent to fulfil the demand of the Department and reiterates that the Department should first fully utilise the capacities of Telecom Factories before procuring the products from outside. This may also help in reducing the higher costs of certain products of Telecom Factories because their capacity utilisation was very poor.

#### **R & D at Telecom Factories**

**(Paragraph No. 59)**

17. The Committee in its Twelfth Report noted that a Committee constituted by the Department of Telecommunications in 1993 under the Chairmanship of senior DDG (TEC) had recommended strengthening of existing R & D centres in the factories by inducting suitably trained persons having electronics background and to set up a centralised R & D and product development centre at TEC (HQ). The Committee felt that in order to maintain competitiveness of Telecom

Factories, technological upgradation of products must take place. As no action was taken on the recommendations of the Committee set up by the Department of Telecommunications, the Committee desired that R & D at Telecom Factories should be suitably strengthened.

18. The Department of Telecommunications in its Action Taken Note has stated that the products of Telecom Factories are used in the external plant of the Telecom Network which doesn't require basic R & D as pace of technological advancement in this area is quite limited. Necessary input for upgradation of external plant products are obtained through internationally reputed firms such as M/s Krone, M/s Tamura etc. and the role of the factories is confined to absorb the technology and to carry out required in-house product adaptation/enhancement. About 99 Electronics/Electrical/Telecommunications trained personnel including 35 graduate Engineers are now stated to be working in Telecom Factories.

19. The Committee is not satisfied with the reply of the Department that the products of Telecom Factories do not require basic R & D. If it was so, the Committee set up under the Chairmanship of DDG (TEC) could not recommend strengthening of then existing R & D Centres in the factories and also setting up of a centralised R & D and product development centre at TEC (HQ). The Committee also notes that the necessary output for upgradation of products is obtained through internationally reputed firms such as M/s Krone, M/s Tamura etc. and the role of factories is stated to be confined to absorb the technology and to carry out in-house product adaptation/enhancements. The Committee is of the view that R & D at Telecom Factories should be suitably strengthened for technological upgradation of the products in order to maintain competitiveness.

#### **Anomaly in Pay Scales of JTO (TF) and JTO (Telecom)**

**(Paragraph No. 79)**

20. The Committee in its Twelfth Report had expressed its concern on the anomaly in the pay scales of JTO (TF) and JTO (Telecom). The engineers in Telecom Factories selected through All India Competitive Examination with engineering qualification had been placed in a lower scale of Rs. 5000-8000 whereas JTO (Telecom) in the mainstream has been placed in a higher scale of Rs. 6500-10500. The Committee further noted that though the Department had referred the case to the Anomaly Committee on 20th July, 1998, no final decision was taken on the same. The Committee desired that the Department should take an early decision in that regard so that the production at the Telecom Factories do not suffer due to unrest among the Telecom Factories Engineers.

21. The Department of Telecommunications in its Action Taken Note has stated that the proposal for revision of the scale of pay of JTOs of the Telecom Factories from the existing Rs. 5000-8000 to Rs. 6500-10500 at par with the JTOs on the main Telecom side was taken up by the Anomalies Committee of the Directorate with the DOP & T twice but it has not been accepted by the DOP & T as the anomaly was not cropped up on account of the recommendation of the Fifth Central Pay Commission.

22. The Committee notes that the Anomaly Committee of the Directorate has taken up twice with DOP & T, the proposal for revision of the scale of pay of JTOs of the Telecom Factories from the existing Rs. 5000-8000 to Rs. 6500-10500 at par with the JTOs on the Telecom side but DOP & T has not accepted the proposal as the anomaly was not cropped up on account of the recommendations of the Fifth Central Pay Commission. The Committee is of the opinion that it is quite unjustifiable that the Engineers in Telecom Factories selected through All India Competitive Examination with engineering qualification are placed in a lower scale of Rs. 5000-8000 whereas JTO (Telecom) in the mainstream placed in a higher scale of Rs. 6500-10500. The Committee, therefore, desires the Department to look into it and take an early decision in the matter so that the unrest among the Engineers in the factories do not affect the production in Telecom Factories.

### **Organisational Structure of DOT**

**(Paragraph No. 98)**

23. The Committee in its Twelfth Report expressed its displeasure to learn that though an Expert Committee constituted by DOT under the chairmanship of Shri S.R. Chaudhry pointed out certain drawbacks in the organisational structure of Telecom Factories as early as in 1988 and in pursuance of its recommendations a review of organisational structure of Telecom Factories is under consideration since 1990, yet the DOT was not able to take any final decision even after the lapse of more than 8 years. The Committee had desired that the Department should take an early decision in the matter.

24. The Department of Telecommunications in its Action Taken Note has stated that the formation of a Telecom Factory Board with adequate administrative and financial powers is under consideration of the Department.

25. The Committee is happy to note that formation of a Telecom Factory Board with adequate administrative and financial powers is under consideration of the Department. The review of organisational structure of the Telecom Factories is under consideration since 1990 and as such much time has already

been taken by the Department. The Committee, therefore, desires that the Department should take an early decision in this regard without further loss of time.

**TFs as Captive Units of the DoT**  
(Paragraph No. 99)

26. The Committee in its Twelfth Report had noted that the Fifth Central Pay Commission on Telecom recommended privatisation/corporatisation of the Telecom Factories. The Fifth Central Pay Commission had not considered the view of the DoT that the Department was able to obtain competitive price advantage and possibility of supply of equipment to private operators would be thereby retaining the factories as departmental units. The Committee had desired that Telecom Factories should continue to function as captive units of DoT as are Railway Workshops and Defence Factories, as it would be advantageous for the Department in the developing competitive environment.

27. The Department of Telecommunications in its Action Taken Note has stated that Telecom Factories are at present captive units of the Department and any change in the structure when considered appropriate would be examined.

28. The Committee notes that the recommendations of the Fifth Central Pay Commission for privatisation/corporatisation of the Telecom Factories has not been examined by the Department so far. The Committee would like to be assured that its view of keeping the Telecom Factories as captive units would be considered while restructuring the DoT.

#### **Formation of Telecom Factory Board**

(Paragraph Nos. 100 and 101)

29. The Committee in its Twelfth Report on 'Working of Telecom Factories' recommended that the recommendation of the Expert Committee set up by DoT for setting up of a separate Telecom Factory Board should be examined expeditiously so that focused attention can be provided to the working of the Telecom Factories. The Committee further desired that as recommended by the Expert Committee, requisite financial autonomy necessary to run a manufacturing and industrial establishment should be made available to the Telecom Factory Board so that adequate supply of raw material and components whenever required can be made available well in time thereby resulting in smooth flow of production in Telecom Factories.

30. The Department of Telecommunications in its Action Taken Note has stated that the matter of formation of a Telecom Factory Board with adequate administrative and financial powers is under consideration of the Department.

**31. The Committee appreciates that the matter of formation of a Telecom Factory Board with adequate administrative and financial powers is under consideration of the Department. The Committee desires that the Department should take an early decision in this regard.**

## **CHAPTER II**

### **RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT**

#### **Recommendation (Para No. 54)**

The Committee notes that Modem is an item which has great demand in and outside the Department and is being produced in Telecom Factories. The Committee is unhappy to note that though the target during 1997-98 was to produce 3000 Modems, yet only 450 Modems could be produced and the capacity utilisation remained at 15 per cent only. The Committee is of the opinion that lack of serious efforts have resulted in such an extensive shortfall in achievement of targets more so when it has much demand in the market. The Committee, therefore, recommends that the Department should make serious and continuous efforts to upgrade the production of Modems.

#### **Action Taken by the Government**

During 1997-98, Telecom Factory, Mumbai was manufacturing modems of 14.4 Kbps speed and had taken advance action to develop 33.6 Kbps modems in anticipation of the new requirement for 33.6 Kbps Modems. Since demand of 14.4 Kbps modems was tapering down, production was restricted to only the extent of available requisition. Instructions have also been issued to the field units of DoT to obtain the requirement of modems first from Telecom Factory, Mumbai before resorting to purchase from private sources. CGM TFs are free to market the modems in open market and a Marketing Cell headed by Dir. (Mkg.) at Mumbai is looking after this job. Now TF, Mumbai has developed 33.6 and 56 Kbps Modems and it is expected that the production of the existing modems will be upgraded and supplies made accordingly.

[File No. 16-2/99-TFP, Dated July 20, 1999]

#### **Recommendation (Para No. 55)**

The Committee notes that during the last 3 years, financial achievements have been much below the targets. The achievements were Rs. 167.43 crores in 1995-96, Rs. 181.28 crores in 1996-97 and Rs. 188.49 crores in 1997-98 against the targets of Rs. 182 crores, Rs. 216 crores and Rs. 198 crores respectively. The statement that targets were fixed higher purposely to make the factories strive hard does not convince the Committee. There is no use in fixing higher targets in the absence of

adequate demand. On the other hand, the Committee desires that DoT should fix realistic targets so that no request to reduce the target is made.

#### **Action Taken by the Government**

The desire of the Committee has been noted.

[File No. 16-2/99-TFP, Dated July 20, 1999]

#### **Recommendation (Para No. 56)**

The Committee is extremely unhappy to note that the cost of 7 products manufactured in the Telecom Factories is much higher than the rates at which they were procured from market. Cost price of Sockets at factories was Rs. 650 per piece against Rs. 310.59 in the market. Similarly, Sole Plates were procured from market @ Rs. 61.87 against the factories' cost of Rs. 110; Telephone Poles @ Rs. 596.19 against factories' cost of Rs. 650, Support Bracket at Rs. 57 against factory's cost of Rs. 120 and Stalk of Rs. 5.53 against the factory's cost of Rs. 20. Obviously, it is not a satisfactory position even though the heavy overhead cost and very low capacity utilisation may be the reasons. The Committee desires that urgent steps be devised to bring cost of production in Telecom Factories in tune with the market rates.

#### **Action Taken by the Government**

CGMs have been instructed to form Standing Working Groups at factory level to meet regularly to achieve positive results in reducing the costs.

[File No. 16-2/99-TFP, Dated July 20, 1999]

#### **Recommendation (Para No. 58)**

The Committee notes that because of the technological obsolescence, most of the products so far manufactured in the factories have gone out of production line and since these factories have not acquired the necessary know-how and skill for production of equipments of Electronic Exchanges and its software, a large section of the work force in Mumbai and Calcutta Factories has become 'surplus'. According to the latest information made available to the Committee, there are 255 idle work force at Mumbai and 100 at Calcutta factories as on May, 1998. Although efforts were made by the Department to reduce the idle work force by diversifying into new products yet only a few of them could be utilised. The Committee feels that surplus work force can be fruitfully utilised by diversifying into the repair of Exchange Cards. The Committee desires DoT to examine it in detail and take necessary steps.

### **Action Taken by the Government**

The surplus work force at TF Calcutta has been fully re-deployed to TF Gopalpur and Calcutta Telephones. For Mumbai, process is on for re-deployment of surplus work force within the Department. Several new items viz. DP Box 5-pair, Digital Data Distribution Frame, 40 M Narrow Base Tower etc. are also proposed to be taken up for production and it is hoped that these measures will result in gainful utilisation of the surplus work force.

[File No. 16-2/99-TFP, Dated July 20, 1999]

### **Recommendation (Para No. 61)**

The 1993 Expert Committee had also emphasised the need of training the staff in new technology. However, the Committee is disturbed to find that during the last 5 years (1993-94 to 1997-98) only 231 personnel have been trained. The Committee feels that with such an insignificant number of employees trained during the last five years, the Telecom Factories would not be able to meet the challenges when the technology is changing fast. The Committee, therefore, recommends that training process should be geared up to make the workers capable of taking up the production of modern equipments.

### **Action Taken by the Government**

Recommendation of the Committee has been noted. Training programme will be worked out to suit the requirement of the new products taken up for manufacture.

[File No. 16-2/99-TFP, Dated July 20, 1999]

### **Recommendation (Para No. 62)**

The Committee also desires that in order to modernise the Telecom Factories, the Department should prepare a Perspective Plan for training and retraining of existing workforce. Due to obsolescence of conventional items in the Telecom Factories, there is an urgent need to induct new technology and therefore, training and exposure of engineers/workers to new technology are inescapable so as to enable them to take up production of items currently in demand.

### **Action Taken by the Government**

CGM TFs have been delegated full powers for need-based training of Officers and workers and they are deputed for training from time to time. CGMs have been instructed to prepare perspective plans for production and match the training programme of engineers/workers accordingly.

[File No. 16-2/99-TFP, Dated July 20, 1999]

### **Recommendation (Para No. 63)**

The Committee also notes that the Technical Committee had recommended that CGMs, Telecom Factories should have the liberty of taking up production of any other new item or enter into any new service area provided they are able to market the product/service of their own. The Committee would like to be apprised of the action taken by the Department in the matter.

### **Action Taken by the Government**

During November 1993 it was decided and communicated to CGMTFs that, "CGMs are free to take up production of any new item or enter into any new service area with marginal investment provided they are able to market the product/service on their own. They are also at liberty to contact and negotiate with ITI/HTL/Multinationals and enter into any term contract for supply of PCB's and other components, etc., if TFs have infrastructure already available".

[File No. 16-2/99-TFP, Dated July 20, 1999]

### **Recommendation (Para No. 77)**

The Committee notes that the Department has taken certain measures to gain marketing capability like setting up of marketing cells in the factories to capture more orders and receive prompt payment. Profit and Loss accounts and Balance Sheets are prepared annually to make the Factories conscious of profit. Efforts are made to reduce cost of production in order to make them more competitive. The Committee feels that in the emerging competitive environment when there would be a large number of suppliers as well as buyers of telecom equipment it would be difficult for Telecom Factories to sell their products without a well equipped marketing organisation. The steps taken to adopt sound commercial practices are in the right direction and require to be further reinforced.

### **Action Taken by the Government**

Noted. Action is being taken accordingly.

[File No. 16-2/99-TFP, Dated July 20, 1999]

### **Recommendation (Para No. 102)**

The Committee notes that at present the Department has not prepared any Perspective Plan exclusively for the Telecom factories and the Annual Production Programme of the factories is prepared on the basis of the perspective plan of the Department. The Committee has further noted that way back in 1993, a Technical Committee constituted by DoT for recommending new items for production had

recommended preparation of a Corporate Plan for specifying the role and field of activity of Telecom factories. The Committee regrets to note that the Department has not taken any decision in this regard so far. The Committee disapproves such casual attitude and recommends that a Perspective Plan should be prepared within this year with a view to making Telecom Factories viable units.

#### **Action Taken by the Government**

A perspective plan is being prepared for Telecom Factories on the above guidelines.

[File No. 16-2/99-TFP, Dated July 20, 1999]

### **CHAPTER III**

#### **RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DOES NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY**

##### **Recommendation (Para No. 50)**

The Committee notes that DoT has been procuring equipments and stores about Rs. 7000 crores every year. However, their purchase from their own factories has been of the order of Rs. 230 crores approximately this year and Rs. 189 crores in the previous year. The reasoning that "whatever is being produced has been procured and their full production is being utilised" is not at all convincing in view of the fact that production capacity of Telecom Factories is much higher and that they could not attain full capacity for lack of sufficient orders from DoT. Thus the costly assets have not been put to optimum use.

##### **Action Taken by the Government**

The Department is taking necessary steps to ensure full capacity utilisation of the Telecom Factories. Requisitions for items according to the Annual Production Programme 1999-2000 have already been issued.

[File No. 16-2/99-TFP, Dated July 20, 1999]

##### **Recommendation (Para No. 51)**

No doubt these factories are engaged in production of conventional equipment for which limited demand is there. However, keeping in view future requirements of DoT, there is an urgent need to modernise these captive units. Product diversification through technological upgradation should be taken in hand expeditiously with a view to utilise costly assets. Since the DoT states that it has an open mind to resolve the problem, the Committee trusts that its views be taken note of with all seriousness.

##### **Action Taken by the Government**

New product development and improvement of existing products as per the need of the Department have always been the aim of the Telecom Factories. Several new products like Digital Data Distribution Frame, DP Box 5 Pair, 40M Narrow Base Tower, CBT 95 (to be produced at TF Calcutta in addition to existing

production at TF Mumbai), Repair of Exchange Cards (to be started at TF Mumbai in addition to existing facility at TFs Calcutta and Jabalpur) and Fibre Distribution Frame have been identified for manufacture in Telecom Factories.

[File No. 16-2/99-TFP, Dated July 20, 1999]

#### **Recommendation (Para No. 52)**

The Committee is concerned to note that during the year 1997-98, out of 19 items being produced in different Telecom Factories, capacity utilisation in respect of 10 items ranged between 6 and 70 per cent. These products are Buttenski Telephone (41 per cent), CBT-95 (Pay Phones) (27 per cent), DP Box (59 per cent), Modems (15 per cent), Microwave Towers (69 per cent), Masts 15 M (65 per cent), Masts 40 M (34 per cent), Socket B (32 per cent), Sole Plate (6 Per cent) and Support Bracket (45 per cent). The Committee would like to be apprised of the precise reasons for poor capacity utilisation of each of these items.

#### **Action Taken by the Government**

The reasons for shortfall of production of the above items are given below:

- |                        |  |
|------------------------|--|
| 1. Buttenski Telephone | Product improvement and upgradation is a continuous process. As and when changes are proposed to be introduced in products, their specifications also necessarily undergo changes. This process sometimes leads to slowing down of the process of production thereby resulting in shortfall. In the case of Buttenski Telephone also there were changes in specifications mid-way through the year and the shortfall in production of this product is attributable to this reason. |
| 2. CBT-95              | CBT-95 was a new item and a large number of suggestions were received for incorporation in this product. Requisite changes were made in the product before mass production could begin. This resulted in shortfall in production.  |
| 3. DP Box              | Same as indicated against item No.1 above.   |
| 4. Modems              | TF, Mumbai was at that time manufacturing 14.4 Kbps modems. Subsequently the product was upgraded to 33.6 Kbps. This process of upgradation, resulted in shortfall in production. It may be relevant here to mention that Telecom Factory Mumbai has since started production of not only 33.6 Kbps but also 56 Kbps modems.   |

5. MW Tower	There has been a marginal improvement in production over the previous year.
6. 15/40M Mast Tower	Same as indicated against item No.1 above.
7. Saddle, Socket-B and Sole Plate	There was a major breakdown of one of the main production lines at Telecom Factory, Kharagpur during this period causing dislocation of production process.
8. Support Brackets	This was a new item taken up for production by the Telecom Factories. Regular production started in January'98 only. Out of the total supply of 4.5 Lakhs, 3.6 Lakhs were supplied between January to March'98.

[File No. 16-2/99-TFP, Dated July 20, 1999]

#### **Recommendation (Para No. 60)**

The Committee set up under the chairmanship of Senior DDG(TEC) in 1993, had *inter-alia* recommended development of certain new product viz. C-DOT RAX for 256 Port and Antennas; 10 Channel UHF/MNT equipment and repair of C-DOT Cards, 2/8 Mb optical line terminal equipment of C-DOT design, repair of E-10B Cards and Power Plant 50v at Telecom Factories. However, only repair of Cards and manufacture of Antenna was taken up. The Committee will like to be apprised of the reasons for not taking up development of other products as recommended by the above said Committee.

#### **Action Taken by the Government**

The recommendations of the committee were duly examined and considered. Keeping in view the fact that some of the items recommended by the committee were proposed to be manufactured in the private sector and a large number of vendors were already existing for some of them, it was not considered desirable to manufacture such items in-house.

[File No. 16-2/99-TFP, Dated July 20, 1999]

#### **Recommendation (Para No. 64)**

The Telecom Factories Engineers Association have furnished a list of high quality products and stated that these items can be manufactured in the Telecom Factories with the support of suitable transfer of technology and training package from Indian/Foreign Manufacturers. These items are Electronic Push Buttons

Telephones (EPBTs), Terminals and Adapters for ISDN, Switch Mode Power Supply (SMPS) for Exchanges, Solar Power Plants, Optical Fibre Cable and Accessories, Smart Card Payphones, Equipment pertaining to Wireless in local loop (WILL), Equipment pertaining to Satellite Communication and High Bit rate Digital Subscribers Line (HDSL). It has been suggested that C-DoT can be entrusted to identify and develop suitable products for manufacturing by Telecom Factories. The Committee desires the Department to examine the possibility of production of the above products in Telecom Factories and inform the Committee about the developments in this regard.

#### **Action Taken by the Government**

The Department is presently examining the feasibility report regarding manufacture of EPBTs in TFs. CGMTFs have been asked to prepare feasibility reports for SMPS Power Plant, Smart Card Pay Phone and HDSL.

ISDN terminal adapters have been considered but not found acceptable.

[File No. 16-2/99-TFP, Dated July 20, 1999]

#### **Recommendation (Para No. 78)**

The Committee notes that DoT has taken certain steps to promote export of Telecom Factories products viz. Factories have been authorised to offer quotation at reduced rates in respect of tender enquiries from foreign Governments/parties, participation of Factories in major Telecom exhibitions in the country and abroad besides emphasising more on R&D activities. However, these steps cannot be termed as adequate in view of the competitive environment in the Telecom Equipment Manufacturing Sector. The Committee, therefore, desires the DoT to support the Telecom Factories more actively to expand their exports which at Rs. 23.50 lakh is quite insignificant.

#### **Action Taken by the Government**

There is limited scope for exports due to the very nature of products being manufactured by the Telecom Factories. However, as new products are added, efforts to export will be intensified.

[File No. 16-2/99-TFP, Dated July 20, 1999]

#### **Recommendation (Para No. 80)**

The Committee further notes that the Fifth Central Pay Commission recommended the merger of Group 'A' post of Telecom Factories with Indian Telecom Service (ITS) and the matter is stated to be under consideration of the Department. The Committee expects an early decision in this regard keeping in view the interest of the workers of the Telecom Factories.

#### **Action Taken by the Government**

The issue will be decided with the restructuring of DoT. However, posts are sanctioned on need based justification.

[File No. 16-2/99-TFP, Dated July 20, 1999]

#### **Recommendation (Para No. 81)**

The Telecom Factories Engineers Association in their memorandum have stated that the number of Engineers in the Telecom Factories is not adequate and it is one of the factors hampering the progress of Factories. The ratio of Officers staff is stated to be 1:36 whereas in ITI/HTL it is about 1:3 to 1:5. The Committee would like the Department to examine the matter in depth and if required take measures to correct imbalance.

#### **Action Taken by the Government**

The nature of products being manufactured by the Telecom Factories and ITI & HTL are entirely different. Telecom Factories are manufacturing external plant line material where large work force is required to be supervised by a few staff. Comparison with ITI and HTL is therefore, not appropriate.

[File No. 16-2/99-TFP, Dated July 20, 1999]

#### **Recommendation (Para No. 98)**

The Committee notes that the Department of Telecommunications has yet to decide whether the Telecom factories would remain as an integral part of the proposed 'India Telecom' under single DoT Corporation or would be converted into a separate Public Sector Undertaking (PSU) to compete along with other Public Sector Undertakings (PSUs) and private manufacturers to share the Indian telecom market. The Committee expresses its displeasure to learn that though an Expert Committee constituted by DoT under the Chairmanship of Sh. S.R. Chowdhry pointed out certain drawbacks in the organizational structure of Telecom factories as early as in 1988 and in pursuance of its recommendations, a review of organizational structure of Telecom Factories is under consideration since 1990, yet the Department of Telecommunications has not been able to take any final decision in this regard even after the lapse of more than 8 years. The Committee desires the department to take an early decision in this regard.

#### **Action Taken by the Government**

DoT is considering to form a Telecom Factory Board with adequate administrative and financial powers.

[File No. 16-2/99-TFP, Dated July 20, 1999]

### Comments of the Committee

(Please See Para No. 25 of Chapter-I)

#### Recommendation (Para No. 99)

The Committee notes that the 5th Central Pay Commission (CPC) on Telecom has recommended privatisation/corporatisation of the Telecom factories. Strangely, the 5th CPC has not considered the DoT's view which says that the Department was able to obtain competitive price advantage and possibility of supplying equipment to private operators would be thereby retaining the factories as Departmental units. The Committee is of the view that Telecom factories should continue to function as captive units of the Department of Telecommunications as are Railway Workshops and Defence Factories, as it would be advantageous for the Department in the developing competitive environment.

#### Action Taken by the Government

TFs are at present captive units of the Department. Any change in the structure when considered appropriate will be examined.

[File No. 16-2/99-TFP, Dated July 20, 1999]

### Comments of the Committee

( Please See Para No. 28 of Chapter-I)

#### Recommendation (Para No. 100)

The Committee is unhappy to learn that constitution of factories Management Board as recommended by the above said Expert Committee to streamline the decision making process and make it fully responsible for the efficient functioning of Telecom factories has not been implemented nor has any step been taken to ascertain the need for it. The Committee recommends that the recommendation for setting up of a separate Telecom Factory Board be examined expeditiously so that focused attention can be provided to the working of telecom factories. In this context, the Committee commends the suggestion made by the telecom Factories Engineers Association that there should be a Board of management exclusively for corporate planning of the Telecom Factories and the same should be made responsible for the sustained growth of the factories and also answerable to the Telecom Commission. Once a separate board is constituted for the Telecom Factories, the long term policies on product identification and productionisation would be suitably regulated and short term policies for proper man and machine power utilization would also be suitably implemented.

### Action Taken by the Government

DoT is considering to form a Telecom Factory Board with adequate administrative and financial powers.

[File No. 16-2/99-TFP, Dated July 20, 1999]

### Comments of the Committee

(Please See Para No. 31 of Chapter-I)

### Recommendation (Para No. 101)

As recommended by the Expert Committee, requisite financial autonomy necessary to run a manufacturing and industrial establishment should be made available to the Telecom Factory Board so that adequate supply of raw-material and components whenever required can be made available well in time thereby resulting in smooth flow of production in Telecom Factories.

### Action Taken by the Government

DoT is considering to form a Telecom Factory Board with adequate administrative and financial powers.

[File No. 16-2/99-TFP, Dated July 20, 1999]

### Comments of the Committee

(Please See Para No. 31 of Chapter-I.)

**CHAPTER IV**

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

**Recommendation (Para No. 49)**

The Committee notes that functioning of Telecom Factories has been adversely affected in recent years because of technological obsolescence of conventional products produced there. Old Electromechanical Exchanges have almost been replaced by Electronic Exchanges all over the country but the Department of Telecommunications (DoT) did not devise timely steps to modernise and assign purposeful role of its Telecom Factories in the changing scenario. The indecision has cost the nation dearly as the factories are rendered sick with a large number of idle workforce; their annual production in dwindling and idle capacity increasing; workforce is totally demoralised as their future looks bleak; costly assets are rusting and DoT has to secure supplies from private companies.

**Action Taken by the Government**

Rapid changes in technology have slightly affected Telecom Factories in the recent past. Setbacks are inevitable for a manufacturing unit in a rapid changing technological scenario and telecom factories were also touched slightly when several conventional products manufactured by them became obsolete during previous years. However, with the proper planning by the Department of Telecommunications, the turn over of the telecom factories has been sustained & rather increased by inducting new items and increasing production of the other items, which is evident from the information given below:

*Financial Performance*

(Rs in Crores):

1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
117.71	139.66	167.43	181.28	188.49	237.11

*Details of obsolete and new products of Telecom Factories:*

Year	Products became obsolete	New Products Added in Production
1994-95	T-43 Trunk Boards, Auto Manual Boards, PBX, T-43 Relay Plates, Telephone Plugs, Line Jack Strip, Keys, Relays, Cords, Racks, Tag blocks.	CD Cabinets 800 pr., DP Boxes, CT Boxes, MDFs, Line Jack Units, Trunk Relay Plates, Private Wire Relay Plates, 15/40 M Masts, 60/80M Towers
1995-96	CBT 80, Sound Doubern	Support Brackets, CD Cabinets 1600 & 2000 pr., Repair of E-10-B and C-DoT Cards.
1996-97	-	Modems 14.4 Kbps, MDFs 128/512P IPM & Max- L, Flood Light, Tower 40M, LJU (2-pin)
1997-98	-	15M Mast (5 panel), Support Bracket with insulated stalk (New design), Modems 33.6 Kbps

The major products of Telecom Factories have been used in the external plant of the Telecom Network which are required irrespective of the type of the Switching equipment. Therefore, there is no adverse effect due to change of technology on demand of external plant material manufactured by the telecom factories and they are continuing production of these items for the Department. The manpower became surplus because products phased out were labour intensive whereas new products inducted were technology-oriented. In this process the very fact of needing less work force while at the same time increasing the turnover indicates that this migration was in the right direction. The workforce thus made available by higher productivity was utilised for production of new items. At present there are no surplus workers in Telecom Factory, Calcutta while process is one for re-deployment of surplus workforce of Mumbai Factory within the Department. Workforce in the telecom factories is extending full support for adoption of new products and technologies. The entire production of Telecom Factories is being utilised by the Department and any additional quantities only are being purchased from outside.

[File No. 16-2/99-TFP, Dated July 20, 1999]

**Comments of the Committee**

(Please See Para No. 10 of Chapter I.)

### Recommendation (Para No. 53)

The Committee finds that even though capacity utilisation for Support Bracket, Socket and sole Plates was only 45 per cent, 32 per cent and 6 per cent respectively, yet these items were procured from open market. The Committee takes serious view of it. It will like to be apprised of the quantity procured from open market of these products and also the reasons for procuring them when idle captive capacity was available with DoT. The level at which decision in this regard was taken may also be intimated to the Committee.

### Action Taken by the Government

The total quantity of these items procured from the open market during the year 1997-98 is as follows:

Item	Quantity procured from the open market
Socket	15,42,605 nos
Sole Plate	2,40,000 nos
Support Bracket	7,58,150 nos

Procurement of various items is undertaken by Chief General manager, Telecom Stores, Calcutta on instructions from Telecom Directorate. During 1997-98 the requirement of the Department for these items was beyond the production capacity of the Telecom Factories. Therefore, the purchases were made from the open market.

[File No. 16-2/99-TFP, Dated July 20, 1999]

### Comments of the Committee

(Please See Para No. 13 of Chapter I)

### Recommendation (Para No. 57)

The Committee notes with regret that out of the items that are being produced in the Telecom Factories, DoT purchases only 30% of the same and the rest are purchased from the private suppliers. No doubt, indigenous capacity in the country which has come up has to be supported, but it should not be done at the cost of Telecom Factories which are captive units of the DoT. This may also be one of the reasons for higher unit cost of certain products of Telecom Factories as their capacity utilisation was very poor. The Committee, therefore, desires that DoT should first fully utilise the capacities of captive units before procuring these items from the market.

### **Action Taken by the Government**

DoT aims to fully utilise the capacity of the captive units. In fact only those items which are required by the Department but the production of which is inadequate to meet the demands of the Department are procured from the open market.

[File No. 16-2/99-TFP, Dated July 20, 1999]

### **Comments of the Committee**

(Please See Para No. 16 of Chapter I.)

### **Recommendation (Para No. 59)**

The Committee notes that products of Telecom Factories are used in the external plant of Telecom Network which do not require basic Research and Development as the pace of technological advancement in this area is limited. However, the Committee finds that a Committee constituted by the DoT in 1993 under the chairmanship of senior DDG (TEC) had recommended strengthening of existing R & D centres in the factories by inducting suitably trained persons having electronics background and to set up a centralised R & D and product development centre at TEC (Hq.). Thus, the Committee feels that technological upgradation of products must take place to maintain the competitiveness of Telecom Factories. It is distressing to note that no action was taken on the recommendation of that Committee. The Committee, therefore, strongly desires that R & D at Telecom Factories should be suitably strengthened.

### **Action Taken by the Government**

The products of the Telecom Factories are used in the external plant of the Telecom Network which does not require basic R & D as pace of technological advancement in this area is quite limited. Necessary input for upgradation of external plant products are obtained through internationally reputed firms such as M/s. Krone, M/s. Tamura etc. and the role of the factories is confined to absorb the technology and to carry out required in-house product adaptation/enhancements. About 99 Electronics/Electrical/Telecommunications trained personnel including 35 graduate Engineers are now working in Telecom Factories.

[File No. 16-2/99-TFP, Dated July 20, 1999]

### **Comments of the Committee**

(Please See Para No. 19 of Chapter I.)

**Recommendation (Para No. 79)**

The Committee has expressed concern that there exists an anomaly in the pay scales of JTO (TF) and JTO (Telecom). The Engineers in Telecom Factories selected through All India Competitive Examination with engineering qualification are placed in a lower pay scale of Rs. 5000-8000 whereas JTO (Telecom) in the mainstream has been placed in a higher scale of Rs. 6500-10500. Though the Department has referred the case to Anomaly Committee on 20th July, 1998 no decision has yet been taken on the same. The Committee has desired the Department should take an early decision in this regard so that the production at the Telecom Factories do not suffer due to unrest among the Telecom Factories Engineers.

**Action Taken by the Government**

The proposal for revision of the scale of pay of JTOs of the Telecom Factories from the existing Rs. 5000-8000 to Rs. 6500-10,500 at par with the JTOs on the main Telecom side was taken up by the Anomalies Committee of the Directorate with the DoP & T twice but it has not been accepted by the DoP & T as the anomaly has not cropped up on account of recommendations of the Fifth Central Pay Commission.

[File No. 16-2/99-TFP, Dated July 20, 1999]

**Comments of the Committee**

(Please See Para No. 22 of Chapter I.)

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

NEW DELHI;  
3 March, 2000

SOMNATH CHATTERJEE,  
Chairman,  
Committee on Communications.

## APPENDIX I

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

The Committee sat on Wednesday, the 1st March, 2000 from 1500 hours to 1600 hours in Room No. 139, Parliament House Annexe, New Delhi.

#### PRESENT

Shri Somnath Chatterjee — *Chairman*

#### MEMBERS

##### *Lok Sabha*

2. Shri Mahendra Baitha
3. Shri Pawan Kumar Bansal
4. Prof. Dukha Bhagat
5. Shri Nikhil Kumar Chaudhary
6. Shri Adhir Ranjan Choudhary
7. Shri T. Govindan
8. Shri K.K. Kaliappan
9. Shri Shreechand Kriplani
10. Dr. C. Krishnan
11. Shri Bhartruhari Mahtab
12. Shri Simranjit Singh Mann
13. Shri A.K. Moorthy
14. Shri Karia Munda
15. Shri Sheeshram Singh Ravi
16. Shri K.A. Sangtam
17. Shri Chandra Vijay Singh
18. Shri Vinay Kumar Sorake
19. Shrimati D.M. Vijaya Kumari

*Rajya Sabha*

20. Shri Balkavi Bairagi
21. Shri Narendra Mohan
22. Shri Kartar Singh Duggal

## SECRETARIAT

- |                       |   |                         |
|-----------------------|---|-------------------------|
| 1. Shri P.D.T. Achary | — | <i>Joint Secretary</i>  |
| 2. Shri S.K. Sharma   | — | <i>Deputy Secretary</i> |
| 3. Shri A.S. Chera    | — | <i>Under Secretary</i>  |

2. The Committee took up for consideration the following Draft Reports and adopted the same with some amendments/modifications as shown in Annexures C.

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

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

(iii) Draft Eighth Report on Action Taken by Government on the recommendations of the Committee contained in its Twelfth Report (Twelfth Lok Sabha) on 'Working of Telecom Factories' relating to the Department of Telecommunications. (Annexure 'C')

3. The Committee then authorised the Chairman to finalise and present/lay the Report to the House.

*The Committee then adjourned.*

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

Page No.	Para No.	Line No.	For	Read
3	10	2 (from below)	After "Telecom Factories" Add "which should be of appropriate standard"	
6	19	2 (from below)	After "suitably strengthened" Add "by providing adequate resources"	
7	22	6	"quite unjustifiable"	"not justifiable"

## APPENDIX II

(Vide Introduction of Report)

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

I.	Total number of Recommendations	26
II.	Recommendations/Observations which have been accepted by the Government: Para Nos. 54, 55, 56, 58, 61, 62, 63, 77 and 102	
	Total	9
	Percentage	34.61
III.	Recommendations/Observations which the Committee do not desire to pursue in view of the reply of the Government: Para Nos. 50, 51, 52, 60, 64, 78, 80, 81, 98, 99, 100 and 101	
	Total	12
	Percentage	46.15
IV.	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration : Para Nos. 49, 53, 57, 59 and 79	
	Total	5
	Percentage	19.23
V.	Recommendations/Observations in respect of which replies are of the interim nature: Para Nos. Nil	
	Total	Nil