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**STANDING COMMITTEE ON  
INFORMATION TECHNOLOGY  
(2018-19)**

**SIXTEENTH LOK SABHA**

**MINISTRY OF COMMUNICATIONS  
(DEPARTMENT OF TELECOMMUNICATIONS)**

**[Action Taken by the Government on the Observations/Recommendations of the  
Committee contained in their Forty-seventh Report (Sixteenth Lok Sabha) on  
'Demands for Grants (2018-19)']**

**FIFTY-FIFTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

***December, 2018/Pausha, 1940 (Saka)***

**FIFTH-FIFTH REPORT**

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'Demands for Grants (2018-19)']**

**Presented to Lok Sabha on 02.01.2019  
Laid in Rajya Sabha on 02.01.2019**



**LOK SABHA SECRETARIAT  
NEW DELHI**

***December, 2018/Pausha, 1940 (Saka)***

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**COMPOSITION OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY**

**(2018-19)**

**Shri Anurag Singh Thakur - Chairperson**

**Lok Sabha**

2. Shri Lal Krishna Advani
3. Shri Prasun Banerjee
4. Shri Raosaheb Patil Danve
5. Dr. Sunil Baliram Gaikwad
6. Shri Hemant Tukaram Godse
7. Shri Shyama Charan Gupta
8. Dr. Anupam Hazra
9. Dr. Jayakumar Jayavardhan
10. Shri P. Karunakaran
11. Shri Virender Kashyap
12. Shri Harinder Singh Khalsa
13. Smt. Hema Malini
14. Dr. K.C. Patel
15. Shri Nagendra Pratap Singh Patel
16. Shri Paresh Raval
17. Dr. Bharati Dhirubhai Shyal
18. Shri Abhishek Singh
19. Shri Doddaalahalli Kempegowda Suresh
20. Shri Ramdas Chandrabhanji Tadas
21. Smt. R. Vanaroja

**Rajya Sabha**

22. Shri Raj Babbar
23. Dr. Subhash Chandra
24. Shri Suresh Gopi
25. Shri K.G. Kenye
26. Shri Santiuse Kujur
27. Smt. Kahkashan Perween
28. Dr. K.V.P. Ramachandra Rao
29. Dr. Vinay P. Sahasrabuddhe
30. Shri Beni Prasad Verma
31. Shri Binoy Viswam

**Secretariat**

1. Smt. Abha Singh Yaduvanshi - Joint Secretary
2. Shri Y.M. Kandpal - Director
3. Dr. Sagarika Dash - Additional Director
4. Shri Shangreiso Zimik - Under Secretary

## **INTRODUCTION**

I, the Chairperson, Standing Committee on Information Technology (2018-2019), having been authorised by the Committee, present this Fifty-fifth Report on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Forty-seventh Report (Sixteenth Lok Sabha) on 'Demands for Grants (2018-19)' of the Ministry of Communications (Department of Telecommunications).

2. The Forty-seventh Report was presented to Lok Sabha and also laid on the Table of Rajya Sabha on 13<sup>th</sup> March, 2018. The Department of Telecommunications furnished their Action Taken Notes on the Observations/Recommendations contained in the Forty-seventh Report on 7<sup>th</sup> August, 2018.

3. The Report was considered and adopted by the Committee at their sitting held on 28<sup>th</sup> December, 2018.

4. For facility of reference and convenience, Observations/Recommendations of the Committee have been printed in bold in Chapter-I of the Report.

5. An analysis of Action Taken by the Government on the Observations/Recommendations contained in the Forty-seventh Report of the Committee is given at Annexure-II.

**New Delhi;  
28 December, 2018  
07 Pausha, 1940 (Saka)**

**ANURAG SINGH THAKUR,  
Chairperson,  
Standing Committee on  
Information Technology.**

## CHAPTER I

### REPORT

This Report of the Standing Committee on Information Technology deals with the action taken by the Government on the Observations/Recommendations of the Committee contained in their Forty-seventh Report (Sixteenth Lok Sabha) on 'Demands for Grants (2018-19)' relating to the Ministry of Communications (Department of Telecommunications).

2. The Forty-seventh Report was presented to Lok Sabha/laid in Rajya Sabha on 13<sup>th</sup> March, 2018. It contained 17 Observations/Recommendations.

3. Action Taken Notes in respect of all the Observations/Recommendations contained in the Report have been received from the Department of Telecommunications and are categorized as under:-

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

Rec. Sl. Nos.:- 1, 2, 3, 4, 5, 7, 8, 10, 12 and 17

Total - 10

Chapter-II

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

Rec. Sl. No.: Nil

Total - Nil

Chapter-III

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

Rec. Sl. Nos.:-6, 11, 15 and 16

Total - 04

Chapter-IV

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

Rec. Sl. Nos.:- 9, 13 and 14

Total - 03

Chapter-V

**4. The Committee trust that utmost importance would be given to implementation of the Observations/Recommendations accepted by the Government.**

**The Committee further desire that Action Taken Statement on the Observations/Recommendations contained in Chapter-I and final action taken replies to the Observations/Recommendations contained in Chapter-V of this Report should be furnished to them at an early date.**

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

### **BharatNet**

#### **(Recommendation No.6)**

6. The Committee, in their Original Report, had recommended as under:-

“The Committee note that as on 19.07.2017, the Union Cabinet had approved a modified strategy for BharatNet in three Phases. Under Phase-I, 1,00,000 GPs will be provided with connectivity. Under Phase-II, remaining 1,50,000 GPs (approx.) are targeted to be implemented by March, 2019. Phase-III, will be to upgrade the network to meet the future requirements. With regard to the status of the project, Phase-I has been completed as 1,00,000 GPs have been connected by December, 2017. The Committee also note that as on 11.02.2018, pipe had been laid to 116054 GPs and 102546 GPs have been made service ready. The target is now to provide connectivity to 1.5 lakh GPs by March, 2019. With regard to status of utilization of funds, the Committee note that during 2017-18, an amount of Rs.10,000 crore was allocated at BE which was reduced to Rs.6000 crore at BE. The actual utilization made was Rs.4350 crore. For the year 2018-19, an amount of Rs.8000 crore had been allocated at BE. The Committee are of the view that the amount allocated at BE will be too inadequate because as per the total estimate approved by the Union Cabinet, the Capex cost alone for connecting 1.5 lakh GPs in Phase-II will be Rs.18,792 crore. With other activities (exclusive of GST, octroi and local taxes) the amount approved by Union Cabinet for Phase-II project is Rs.30,920 crore. Keeping in view that BharatNet project had been severely delayed, the Committee recommend that the Department should make sincere efforts to ensure that Phase-II target of providing connectivity to 1.5 lakh GPs by March, 2019 is achieved without fail. With regard to shortage in allocation of funds, the Committee trust that the Ministry of Finance will uphold in letter and spirit, the assurance given to the Department *vide* their letter dated 28.07.2014 that as and when the schemes take off, Government is bound to provide funds for this scheme through USOF. Since adequate balance is available with USOF, implementation of this project should not be allowed to suffer due to shortage of funds and any requirement of funds should promptly be made available for the implementation of the project.”

7. The Department of Telecommunications, in the action taken note, have stated as under:-

**“BharatNet:** BharatNet Project is to provide broadband connectivity to all 2.5 lakh Gram Panchayats (GPs) (approx.) in the country. Under this project, the Last mile connectivity, through Wi-Fi (2 Access Points per GP) or any other suitable broadband technology, is to be provided at all the GPs (approx. 2.5 lakh) in the country.

**BharatNet Phase-I:**

The Phase I to connect 1,00,000 Gram Panchayats (GPs) has been implemented through three Central Public Sector Undertakings (CPSUs) viz. Bharat Sanchar Nigam Limited (BSNL), RailTel and Powergrid. The Phase-I has been completed in December 2017 as over 1 lakh GPs have been connected.

**BharatNet Project Phase-II:**

For expediting the pace of implementation of the project, the Union Cabinet approved a modified strategy on 19.07.2017 for implementing BharatNet under which, the remaining 1,50,000 (approx.) Gram Panchayats (GPs) in the country are to be provided broadband connectivity in Phase-II of the project. The implementation is to be done through State Model, Private Sector Model and CPSU Model by using an optimal mix of media (OFC, Radio and satellite) to connect GPs. The service delivery mechanism by providing last mile connectivity, through Wi-Fi or any other suitable broadband technology to all 2.5 lakh GPs has been made an integral part of the project. The project is targeted to be implemented by March 2019.

**Progress of the BharatNet Phase-II:**

For implementation of the Phase-II, the Telecom Commission has decided the model for implementation in each State. The details are as follows:

- i) **State-led model:** 8 States namely Chhattisgarh, Gujarat, Jharkhand, Andhra Pradesh, Maharashtra, Tamil Nadu, Telangana and Odisha, covering about 61,683 GPs, are being implemented under the State-led model. MoUs have been signed with all these States and mobilization advance of Rs. 877 crore has been released to them. The RFP template for EPC model has been finalized and shared with States for floating the tender. All States, except Tamil Nadu, have floated the RFP tenders and are under various stages of processing.
- ii) **CPSU-led model:** 10 States covering 54559 GPs are being implemented under CPSU-led model. Out of these 10 States, 8 States viz. Assam, Haryana,



Madhya Pradesh, Rajasthan, Uttar Pradesh, West Bengal, Jammu & Kashmir and Sikkim are being implemented by BSNL. DPRs have been submitted for all States except J&K, which has been approved by the Telecom Commission. 2 States viz. Himachal Pradesh and Uttarakhand are being implemented by PGCIL. DPR has been submitted for Himachal Pradesh by PGCIL, which has been approved by the Telecom Commission.

- iii) **Private Sector Model:** Under Private Sector Model, tender for selection of Implementation Agency in two States covering about 7500 GPs viz. Punjab & Bihar has been floated on by BBNL and tender evaluation is under process.
- iv) **Connectivity on Satellite media:** About 6407 GPs, located in remote and hilly locations with poor connectivity, are being connected on Satellite media so as to provide broadband connectivity to all the GPs within the approved timeline. Out of 6407 GPs on satellite media, 1407 Gram Panchayats are to be connected by BSNL for which it has initiated action; while for the remaining 5000 GPs, an RFP has been floated by BBNL on 12.03.2018 for implementation.

#### **Status of BharatNet:**

As on 10.06.2018, Optical Fibre connectivity has been provided to 1,16,690 GPs by laying 2,78,710 km of Optical Fibre Cable (OFC) and 1,11,114 GPs are Service Ready. Total estimated cost of the project is Rs. 42,068 Crore which includes Rs. 11,148 Crore for Phase-I and Rs. 30,920 crore for Phase-II. Rs. 16,286 crore has been disbursed upto 2017-18 and Rs. 8,175 crore has been allocated for the current FY 2018-19.”

#### **Comments of the Committee**

8. **Taking note of the assurance given by the Ministry of Finance that Government will make available adequate fund for the scheme through USOF, the Committee had desired that any requirement of funds should promptly be made available for the implementation of the BharatNet project. The Committee note that total estimated cost of this project is Rs.42,068 crore which includes Rs. 11,148 crore for Phase-I and Rs.30,920 crore for Phase-II. However, an amount of Rs.16,286 crore has been disbursed upto 2017-18 and for the current Financial Year 2018-19 an amount of Rs.8,175 crore has been allocated. With this meagre allocation of funds, the Committee are sure that Phase-II targets of providing connectivity to 1.50 lakh GPs by March, 2019 is bound to suffer. It is disquieting to note that inspite of adequate funds available with USOF, the disbursal and allocation of funds has not been taken care of.**

**This is clearly indicative of the fact that the Ministry of Finance have failed to uphold in letter and spirit, the assurance given to the Department for allocation of funds to this scheme through USOF. When the Capex cost alone for connecting 1.50 lakh GPs in Phase-II has been calculated to be Rs.18,792 crore, allocation of mere Rs. 8,175 crore during the year 2018-19 is highly unjustified. The Committee while taking strong objection to the above allocation which is grossly inadequate reiterate that adequate funds should be promptly made available for the implementation of the project. The concern of the Committee in this regard should also be intimated to the MoF and the Committee apprised accordingly.**

**Bharat Sanchar Nigam Limited (BSNL)**

**(Recommendation Sl. No.11)**

9. The Committee, in their Original Report, had recommended as under:-

“During 2017-18, BSNL has set a revenue target of Rs.26,500 crore. However, till December, 2017, BSNL’s total income was Rs.16268 crore and the corresponding expenditure was Rs.24562 crore, incurring a total loss of Rs.8294 crore. For the year 2018-19, the projected revenue and projected expenditure is Rs.28500 crore and Rs.35850 crore respectively. The Committee note that revenue receipts of BSNL has declined in all segments except passive infrastructure. This is mainly because of hyper competition in the telecom industry and huge salary cost. The only solace is that with a total debt of Rs.9000 crore, BSNL is still the least indebted company in the industry. The Committee have also been informed that steep decline in tariffs shall ease and tariff may increase in the coming months. The Committee have also been informed that BSNL is endeavouring to earn revenue from land and building assets as well as by providing Project Management Consultancy to other Government Departments for their civil work. The Committee are of the view that in the given circumstance, it will not be easy for BSNL to increase its revenue earning. The Committee are also not convinced that tariff may increase in the coming months. Since BSNL revenue is declining in all segments except passive infrastructure, the Committee desire that BSNL should now try their best to decrease their expenditure. There is an urgent need to reduce its huge salary burden. In this regard, the Committee recommend that VRS proposal of BSNL which is under submission should be considered at the earliest. With regard to giving Government projects to BSNL on nomination basis, the Committee are glad to note that the Department are looking to position BSNL as the foremost rural player and prime importance has been given to BSNL under

BharatNet. The Committee hope that BSNL would take all necessary steps to take advantage of this opportunity to improve their services and increase revenue earnings.”

10. The Department of Telecommunications, in the action taken note, have stated as under:-

“From BSNL no proposal on VRS has been received in DoT. Recommendations as suggested by the Committee have been noted by BSNL for future guidance and action regarding reducing expenditure.”

#### **Comments of the Committee**

11. **Expressing concern that the revenue receipts of BSNL has declined in all segments except passive infrastructure, the Committee had desired that BSNL should try their best to decrease their expenditure. In this context, the Committee had *inter alia* recommended that the VRS proposal of BSNL which is under submission should be considered at the earliest. The Committee are, however, shocked to see the reply of the Department that from BSNL no proposal on VRS has been received in DoT. This is in complete contradiction to the information furnished to the Committee that BSNL is burdened with a huge salary cost and to ease the burden the Government may consider the VRS proposal already submitted for consideration. The reply is a clear indication of the fact that no concrete action is being taken by the BSNL to decrease the increasing expenditure of the company. The Committee while deploring the laid back and casual reply once again emphasize the need for reducing huge salary burden of BSNL. The Committee desire the Department to apprise them of the steps taken to decrease expenditure including the status of proposal for offer of VRS to BSNL employees. The Department may also inform the Committee the steps taken to leverage BharatNet project to increase revenue earnings by BSNL.**

#### **4G Spectrum for BSNL and MTNL**

##### **(Recommendation Sl. No.15)**

12. The Committee, in their Original Report, had recommended as under:-

“The Committee note that in telecom sector, the voice market is already saturated and now the demand is on data. BSNL and MTNL have submitted

proposal for allotment of spectrum with Government support for launching of 4G services in their respective Licensed Service Areas (LSAs). The Committee have been informed that Hon'ble Minister had declared on the floor of the House that Government are shortly going to take a final decision in the matter and the Department are actively considering giving 4G spectrum. The Committee are of the view that both BSNL and MTNL will lose the data market, if they are not given 4G services soon. To compete and survive in the telecom market, the Committee feel that 4G spectrum should be given to them at the earliest. The Committee hope that the assurance given by Hon'ble Minister in the House in this regard will be implemented in letter and spirit and proposal for allotment of spectrum with Government support will be given positive consideration."

13. The Department of Telecommunications, in the action taken note, have stated as under:-

"BSNL has submitted detailed project report (DPR) to this Department vide its D.O. No. 321-1/2010-RegIn/5611 on dated: 04-01-2018 for launching of 4G services in 2100 MHz band by acquiring additional 5MHz spectrum in 2100 MHz band preferably contiguous to its existing 5 MHz block in all its LSAs except Rajasthan and in Rajasthan with 5MHz in 800MHz through "equity infusion" route. BSNL has demanded Rs.6653 crore (upfront payment charges) as Government support."

MTNL has requested allotment of 10 MHz spectrum in 1800Mhz Band for Delhi and 5MHz spectrum in 2100Mhz Band for Mumbai for launch of 4G service in Delhi and Mumbai license area. For allotment of spectrum, MTNL seek 100% Government support to make the payment through equity infusion.

The proposal received from BSNL and MTNL are under examination in DoT."

#### **Comments of the Committee**

14. **The Committee had expressed hope that in view of the assurance given by the Minister in the House, the proposal for allotment of 4G spectrum to BSNL and MTNL with Government support would be given positive consideration. The Committee are, however, concerned to note that the proposal received from BSNL and MTNL are still under examination in DoT. BSNL has submitted detailed project report on 4.1.2018 for launching of 4G services in 2100 MHz band by acquiring additional 5 MHz spectrum in**

**2100 MHz band in all its LSAs except Rajasthan. In Rajasthan with 5 MHz in 8000 MHz through 'equity infusion' route. BSNL has demanded Rs.6653 crore (upfront payment cheques) as Government support. MTNL has requested allotment of 10 MHz spectrum in 1800 MHz band in Delhi and 5 MHz spectrum in 2100 MHz band in Mumbai for launch of 4G services. MTNL is seeking 100 per cent Government support to make the payment through equity infusion. It is very unfortunate that when most of the private players have already 4G services, the proposal for 4G to BSNL and MTNL is still under consideration. The Committee need not emphasize without 4G spectrum made available, BSNL and MTNL will not be in a position to compete with the private operators and increase their revenue. It is necessary that they should be given 4G spectrum to survive and continue to have a foot hold in the telecom market. The Committee desire that proposal which is under examination in DoT should be completed in a time bound manner. In view of the assurance given by the Minister, the Committee reiterate their earlier recommendation that the proposal for allotment of 4G spectrum to BSNL and MTNL with Government support should be given positive consideration and the Committee be apprised of the progress made in this regard.**

#### **Revival of Indian Telephone Industries (ITI) Ltd.**

##### **(Recommendation Sl. No. 16)**

15. The Committee, in their Original Report, had recommended as under:-

“The Committee are happy to note that ITI has made profit for two consecutive years. The net profit for the year 2016-17 was Rs.305 crore as against Rs.251 crore of previous year and turnover of Rs.2000 crore for the year 2017-18 is expected to be achieved. The performance of the company signifies that it is already in a revival mode. The projected turnover for the year 2018-19 is Rs.3170 crore. The Committee note that the total order booking of ITI will be about Rs.10,000 crore by 31.03.2018. This is because recently ITI has got orders of Rs.840 crore for Smart Meters, Rs.8000 crore expected from ASCON project Phase-IV, and ITI being L-I in many tenders from which it is getting orders of about Rs.700-800 crore. All ITI units except Naini are making profit at the end of third quarter 2017-18. It is expected that Naini Unit will also become profitable during 2018-19. With regard to status of implementation of the 'Revival Plan', the Committee note that out of Rs.2264 crore approved for upgradation of infrastructure, ITI have so far implemented projects of Rs.272 crore and projects

of Rs.200 crore will be implemented by 31.03.2018. Further, Rs.137 crore (RE 2017-18) and Rs.100 crore (BE 2018-19) has been considered in Budget 2018-19. The Committee note that some of the projects are under urgent need of upgradation and many projects of ITI have been affected due to non-upgradation. During 2018-19, an amount of Rs.555 crore has been proposed for implementation of various projects, however an amount of only Rs.100 crore has been allocated at BE. The Committee are of the view that the amount allocated so far *i.e.* Rs.709 crore is just 31.31 per cent of the amount approved by the Cabinet under the ITI Revival Plan for Capex. Considering that ITI is already in a revival path and is diversifying into high tech areas, the Committee are of the view that full allocation of funds as per the ITI Revival Plan should be implemented so that ITI can upgrade the necessary infrastructure to meet the huge demand for various products of ITI in the country. The Committee would also like to express the view that the main challenge of ITI now is to remain profitable by meeting future challenges. The Committee hope ITI would continue to keep pace with the changing times.”

16. The Department of Telecommunications, in the action taken note, have stated as under:-

“In 2016-17, ITI made a turnover of Rs.1611 Crs. with a profit of Rs.305 Crs. considering grants given by Government of India. ITI’s turnover has increased from Rs.620 Crs. in 2014-15 to Rs.1253 Crs. in 2015-16. ITI’s turnover increased to Rs.1611 Crs in 2016-17. The Company is turning around and is in the path of revival. For the year 2017-18, the Company has posted a turnover of Rs.1701 Crs (Provisional) and a profit of Rs. 102 Crore without any grants, as per the unaudited results declared. ITI is having a carried over Order Book of about Rs.1900 Crs. as on 1<sup>st</sup> April 2018 and another Rs.12000 to Rs.13000 Crs. order are in the pipe lines as it has become L1 in many tenders like ASCON, Mahanet and other major Projects of BSNL. ITI has made a plan of achieving a turnover of about Rs.3000 Crs. plus for the year 2018-19. In view of huge order book on hand, all out efforts are being made to surpass the planned figure as mentioned.

The Naini Unit of ITI has posted a turnover of Rs.63 Crs (Provisional) during 2017-18 as compared to the turnover of Rs.8.25 Crs. during 2016-17 and is poised to post profit in the current year.

The CAPEX fund of Rs. 472 Crore provided by Government of India has been fully invested and the Projects have been implemented in all the Units of ITI. Further, the amount of Rs. 337 crore allotted during financial year 2017-18 has been utilized fully. Thus ITI has been allocated Rs.709 Crs. out of Rs.2264 Crs. CAPEX till date and ITI has made plans to utilize the balance amount for the various projects under Revival Plan.

As mentioned above, the Company is already in the revival mode earning profits and the Company is making all out efforts to improve turnover and profits in the years to come.”

#### **Comments of the Committee**

17. Taking cognizance of the fact that that some of the projects of ITI are under urgent need of upgradation and many projects have been affected due to non-upgradation, the Committee had expressed the view that full allocation of funds as per the ITI Revival Plan should be made. However, what disturbs the Committee is that full funds have not been made available to ITI as ITI has been allocated Rs.709 crore out of Rs.2264 crore capex till date. The performance of the Company shows that inspite of low allocation of funds for capex, the Company is turning around and is in the path of revival. For the year 2017-18, the Company has posted a turnover of Rs.170 crore (provisional) and a profit of Rs.102 crore without any grants, as per the unaudited results declared. As on 1<sup>st</sup> April, 2018 ITI is having a carried over order Book of about Rs.1900 crore and another Rs.12000 to 13000 crore order are in the pipelines as it has become LI in many tenders like ASCON, Mahanet and other major projects of BSNL. During 2018-19, ITI has made a plan of achieving a turnover of about Rs.3000 crore. From this it is evident that there is tremendous opportunity for growth for ITI and to realise its full potential full allocation of funds capex as per ITI Revival Plan needs to be made so as to enable it to participate in the various projects. Considering that only Rs.709 crore has been allocated till date under capex and ITI has made plans to utilize the balance amount for the various projects under Revival Plan, the Committee reiterate their earlier recommendation and desire that full allocation of capex as per ITI Revival Plan should be implemented at the earliest. The Committee may be kept informed about the status of allocation of funds.

## CHAPTER II

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

#### (Recommendations Sl. No. 1)

On 9<sup>th</sup> February, 2018, the Ministry of Communications (Department of Telecommunications) laid Demand No. 14 for the financial year 2018-19 for a total amount of Rs.38055.28 crore consisting of Rs.33052.53 crore under Revenue Section and Rs.5002.75 crore under Capital Section. The Committee note that Revenue expenditure is an expenditure incurred in the day to day conduct and administration of the Department whereas Capital expenditure is an expenditure incurred to acquire or to improve an asset such as an equipment or building effects of which will be seen in long term. During 2017-18, an amount of Rs.35192.65 crore was allocated at BE which was reduced to Rs.26636.81 crore at RE mainly because of reduction of funds under USOF to the tune of Rs.4636.18 crore. With less Recoveries, the Net Revenue at RE is Rs.19636.81 crore and the actual expenditure till January, 2018 was Rs.17146.50 crore *i.e.* 87.13 per cent of the allocation made at RE. Under Capital section, an amount of Rs.3386 crore had been allocated at BE which was increased to Rs.4995.54 crore at RE mainly because of increase in allocation made under schemes like OFC based network for Defence Services, ITI revival, loan to HPIL and investment to HPIL. The Committee also note that upto 27<sup>th</sup> February, 2018, an amount of Rs.1960.90 crore has been utilized which is 39.25 per cent of the amount allocated at RE of 2017-18 and an amount of Rs.3034.64 remains to be utilized by March, 2018. However, from the information provided by the Department, the Committee are of the view that achieving full utilization of funds allocated at RE under Capital is unlikely, especially under schemes like Equity Infusion in HPIL for stamp duty, Monitoring Services (WMO), Telecom Engineering Centre (TEC), Soft loan to HPIL for payment of stamp duty and other miscellaneous expenditure, etc. For the year 2018-19, under Revenue Section an amount of Rs.33052.53 crore has been allocated at BE which is Rs.2140.12 crore less than the amount allocated at BE of 2017-18. The Committee also note that an amount of Rs.5002.75 crore has been allocated at BE during 2018-19 under Capital Section which is Rs.1616.75 crore more than the BE allocation of 2017-18. This is mainly because of increased in allocation under schemes like OFC based network for Defence services, DoT Building, WMO Building, Training Institute for Communication Finance, Telecom Testing and Security Certificate Centre (TTSCC), 5G Test Bed, etc. While appreciating that the expenditure of the Department especially under Capital section had gradually improved during the last two years, the Committee desire that continuous efforts should be made by the Department to ensure complete utilization of funds made at RE stage under Capital section during 2017-18. The Committee also desire that the Department should take note of the schemes where there have been consistent underperformance and take all necessary measures to ensure adequate utilization of funds during 2018-19. The Committee may be apprised of the progress made in this regard.



## Reply of the Government

### **Utilization of Funds provided in RE 2017-18**

During the Financial year 2017-18 the Department of Telecommunications had made efforts earnestly for optimal utilization of funds allotted. Scheme-wise details of funds utilized/unutilized are as under:

i **Equity Infusion in HPIL for stamp duty/ Loans to HPIL:** In RE 2017-18, funds were sought to implement Scheme of Arrangement in connection with De-merger of Surplus Land from Tata Communications Limited (TCL) into Hemisphere Properties India Limited (HPIL) and also a Cabinet Note on the issue was moved. However, pending approval of the Cabinet, no funds were allotted to HPIL during 2017-18. Approval of the competent authority in this matter has been received during current Financial Year (2018-19), accordingly, funds have also been requisitioned for in First Batch of Supplementary Demand for Grant and on its allotment shall be utilized accordingly.

ii **Monitoring Services (WMO):** WMO was allocated an amount of Rs 30.0 crore under the Capital head for the BE 2017-18 for the procurement of Technical infrastructure as well as for the Civil works as per the details given below.

a) For Technical Schemes : Rs 10.0 crore

b) For Civil works : Rs 20.0 crore

#### **Technical schemes:**

Major utilizations of the funds proposed under the Technical schemes of WMO was as per the details given below.

#### **a) Procurements under the 12<sup>th</sup> FYP Scheme called “Mobile Monitoring, including Direction Finding, facility**

For the procurement of six V/UHF mobile monitoring and portable terminals, the approval of the revised cost estimate of Rs 44 crore on the broader specifications has been obtained from the competent authorities. Approval of Legal cell, DoT has also been obtained. As per the instructions, now all the procurements have to be made on e-procurement basis. Bid document of this scheme is likely to be published on CPP portal in FY 2018-19 .The procurement of V/UHF mobile monitoring terminals will be completed in 2018-19.

Further for the Augmentation/Up-gradation of Microwave Monitoring Terminals (MWT's). The scheme was supposed to have been implemented under the World Bank aided project namely National Radio Spectrum Management & Monitoring System

(NRSMMMS).It may be mentioned that as the matter is under arbitration with M/s HFCL, therefore, WMO had proposed a token budget allocation of Rs.0.25 crore, for the procurement of 4 such terminals in the FY 2017-18. The same has been proposed for the FY 2018-19

**b) Procurement under the scheme called “Fixed Monitoring, including Direction Finding, facility**

Six nos. of HF fixed monitoring facilities were proposed to be procured under this scheme at an estimated cost of Rs 7.0 crore.

**c) Procurement under the scheme called Specialized hardware/ software and auxiliary components”**

Procurement of 5 nos. Radio Noise measurement equipments and 4 nos. of Radio Network analysers are proposed to be procured under this scheme at an estimated cost of Rs 7.5 crore

For the schemes under (b) & (c) tenders have been published on the CPP portal. The tender opening Committees had opened the technical Bids for these procurement. Now the Technical Evaluation Committees are evaluating the Bids and thereafter the financial bids of the technically qualified bidders will be opened. Since in the pre-bid meetings most of the vendors have requested for more time for the supply of these equipments, these scheme could not be implemented in the FY 2017-18 and are being carried over to the next FY i.e. 2018-19

**d)** Further the case for the establishment of six more new Wireless Monitoring Station under the 12<sup>th</sup> FYP is also under the progress. The ground work for this scheme has already been done.

**Civil Works**

The Expenditure sanctions amounting to Rs 42 crore have been issued to the CPWD authorities for various civil works of WMO. CPWD had raised the claims amounting to Rs 3.14 crore only against the above civil works in the FY 2017-18. Further Expenditure for these civil works will be booked in the FY 2018-19. WMO will shortly be issuing the expenditure sanctions for the construction of office buildings of WMSs Goa and Bhubaneshwar to CPWD.

**iii Swachhta Action Plan (SAP):**

Against the budgetary allocation of ₹ 20.00 crore for SAP for the 2017-18 at BE stage, the budgetary provision was reduced to ₹ 15.00 crore at R.E stage. Initially the major

portion of funds under SAP was allocated to BSNL but there was some delay in implementation of it as costs were reworked since these varied across the geographic locations which was not factored in earlier. There was also a shift from constructing a single toilet to twin toilets. As allotted ₹ 15.00 crore was released to Bharat Sanchar Nigam Ltd. (BSNL), Mahanagar Telephone Nigam Ltd. (MTNL), Indian Telephone Industries Ltd. (ITI Ltd) Telecommunications Consultants India Ltd. (TCIL) Telecom Regulatory Authority of India (TRAI) and Centre for Development of Telematics (C-DoT). Against the allocation of ₹ 15.00 crore all the above organizations have spent ₹ 1033.15 Lakhs in the Financial Year 2017-18. These organizations undertook various swachhta activities within and outside the organizational premises. Some of these activities are listed below:

TCIL – Cleaning of roads from TCIL Bhawan to Nehru Place and installation of green and blue dustbins outside the office premises.

C-DoT – Construction of ladies and gent’s toilets and installation of RO coolers for public besides installation of dustbins and cleaning of garbage.

BSNL – A number of 45 community toilets have been constructed in rural exchanges besides 48 separate toilets for visitors in Common Service Centers. In addition, renovation work of 26 units was also undertaken.

ITI Ltd. – Awareness programmes organized for community mobilization for residents of ITI township, neighboring localities. Sensitization programmes were conducted for school children.

TRAI – An awareness camp was organized besides installations of dustbins.

MTNL – MTNL, Mumbai installed 198 dry and wet dustbins at telephone exchanges and other places.

**iv ‘Pandit Deendayal Upadhyaya Sanchar Kaushal Vikas Pratisthans:** An amount of Rs 1.57 Cr was allotted in RE 2017-18 in February 2018, for scheme ‘Pandit Deendayal Upadhyaya Sanchar Kaushal Vikas Pratisthans’, to supplement the telecom skilled manpower creation for the growth of telecom sector and to generate livelihood for the youth of the nation.

The Pilot Scheme proposes to create ten skill development training centers named as ‘Pandit Deendayal Upadhyaya Sanchar Kaushal Vikas Pratisthans’ which are proposed to be operated through Bharat Sanchar Nigam Limited (BSNL).

As the fund allotment came only in the last quarter of F.Y 2017-18, modalities regarding implementation of the scheme could not be finalized with BSNL and hence SD unit could not utilize the fund of Rs. 1.57 Cr allotted in RE 2017-18.

**v. Universal Service Obligation Fund:** During 2017-18, Rs. 11636 crore (including Rs. 10000 crore for BharatNet) was allocated at BE which was reduced to Rs.7000 crore (including Rs. 6000 crore for BharatNet) at the stage of RE 2017-18. The reduction of funds under USOF to the tune of Rs.4636 crore at the stage of RE 2017-18, was based on the actual expenditure incurred up to September 2017, and reduction in requirement of funds for BharatNet and due to non-finalization of tender in some schemes of USOF viz CTDP- NER, CTDP-Islands etc. The funds allotted for the FY 2017-18 under RE has been fully utilized effectively in implementation of the schemes.

**vi Telecommunication Engineering Centre (TEC):** Funds of Rs. 4.733 Crores were demanded at RE 2017-18 for various schemes of TEC' out of which payment of Rs. 2.33 crore has been released in 2017-18 against EMF instruments, pending payment of 60 lakhs is due to non-submission of satisfactory performance report by the vendor of EMF Instrument supplied last year. However, utilization of remaining funds is linked with the arbitration and appeal cases of NGN & SAR Lab respectively and could not be released due to pending decision of arbitration for NGN Lab and appeal by TEC/DOT against arbitral award for SAR Lab.

**vii. OFC based network for Defence services:** During 2017-18 against the demands received from Bharat Sanchar Nigam Limited (BSNL) from time to time, an amount of Rs.3755 crores i.e. full amount allocated under RE 2017-18 has been disbursed to BSNL. Comments of the Committee regarding adequate utilisation of funds during 2018-19 have been noted for future guidance.

**viii. Indian Telephone Industries Ltd.:** A sum of Rs. 405 crore has been provided for ITI Ltd. under BE 2017-18 and Rs. 400.27 cr. in RE 2017-18 which have been utilized for implementation of various capex projects during FY 2017-18.

Further During 2017-18 under Capital Section ITI had sought Rs. 555 Crs under BE 2017-18 and Rs. 661 Crs under RE 2017-18 for implementation of various projects under capex. Against this, in the budget 2018-19, Rs 337 Crs under RE 2017-18 and Rs 100 Crs under BE 2018-19 have been allocated to ITI.

The allocated funds under RE 2017-18 had been utilized fully and funds allocated this year will be utilized in the current financial year.

**ix. Telecom Testing and Security Certificate Centre (TTSCC):** Complete RE of Rs. 15 crore for the TTSC had been utilized before 31<sup>st</sup> March, 2018.

#### **Allocation under schemes in BE 2018-19**

**i. DoT Building, WMO Building:** The proposal for construction of the new building through the Central Public Works Department (CPWD) on turnkey basis was approved in February, 2015 by the then Hon'ble MOC&IT and an MoU was signed with CPWD in October, 2015. CPWD had floated a tender for selection of Architectural Consultant and a Committee under the Chairmanship of Additional Secretary (Telecom) took part in the selection process, held in July, 2016. The selection was made on the basis of concept of the project submitted by various consultants and M/s Sikka Associates was selected as Architectural Consultants for the project.

The concept drawings submitted by the Architect firm through CPWD were examined by the Building & Works (BW) Wing of DoT and their comments were sent to CPWD for appropriate action and a final layout plan, Detailed Project Report (DPR) and Preliminary Estimates were submitted by CPWD in October, 2017.

The preliminary estimate (PE) submitted for the project is of Rs. 328.63 crores i/c 3% contingency & 12% GST for the proposed building to be constructed on a 2.85 acres (11535 sqm) plot in Netaji Nagar, New Delhi has been approved by the Telecom Commission in 49<sup>th</sup> meeting held on 01.5.2018 and which was conveyed vide OM No. 1-49(TC)/2018-TCO dated 1.5.2018.

The project is likely to start shortly. For that purpose a total amount of Rs.10.50 crore has already been released to CPWD in the Financial Years 2015-16 and 2016-17. No further fund has either been sought or released during the year 2017-18. An allocation of Rs.50 Crore has been made in the Budget Estimate for the year 2018-19.

This issues with the approval of the competent authority.

**ii Training Institute for Communication Finance:** The fund for Rs. 111.15 crores under Capital Head and Rs. 12.66 crores under Revenue have been allotted against BE for Rs. 121.00 crores and Rs. 12.65 crores respectively.

#### **Capital:**

1. The CPWD awarded the work of Construction of New Building of NICF, Ghitorni, New Delhi on 27.03.2018 with stipulated period of 22 months from 22.04.2018 for completion of construction work as per award letter.
2. The site has been handed over to the Agency selected by CPWD.

3. The Central Building Research Institute (CBRI) was appointed as 3<sup>rd</sup> Party for Quality Assurance of NICF Project on 17.05.2018.
4. Project Management Committee (PMC) has already been approved to monitor the progress of work.

**Revenue:**

1. Regular training/workshop are being conducted as per approved Calendar of Training. The Mid Career Trainings (MCTs) are subject to approval of the Competent Authority.
2. The MCTP-II, having 3 weeks of Domestic Components and one week foreign component has already started on 21.05.2018 .

**iii 'Pandit Deendayal Upadhyaya Sanchar Kaushal Vikas Pratisthans**: An amount of Rs 4.57 Cr has been allotted for this scheme in BE 2018-19. Efforts are being taken to utilize the funds allotted under BE 2018-19 by coordination with BSNL for identification of 10 locations and start of training programmes at the earliest.

**iv. 5G Test Bed**: The administrative approval for financial assistance/grant for the project to set up 'Indigenous 5G Test Bed' (Building an end to end 5G Test Bed) in India at a total cost of Rs. 224.01 crore over a period of 36 months by the implementaing agencies viz. IIT Bombay, IIT Delhi, IIT Hyderabad, IIT Madras, IIT Kanpur, IISc Bangalore, SAMEER and CEWiT was issued. The sanction order for payment of first installment of an amount of Rs. 35 cr. to Grantee institutions was issued.

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**Utilization of Funds for Schemes**

**(Recommendation Sl. No.2)**

The Department have informed the Committee very clearly that from the year 2017-18 instead of allocating funds under Non-Plan and Plan, Ministry of Finance has changed the policy of allocation of funds to Revenue and Capital. While allocation of funds under Revenue Section is for meeting day to day conduct and administration of the Department, the Committee note that allocation of funds under USOF is done under Revenue Head. An analysis of overall implementation of schemes by the Department indicates that there had been marked increase in the utilization of funds during the last three years. During 2015-16, the actual achievement was Rs.5787.24 crore which was increased to Rs.10883.14 crore during 2016-17. During 2017-18, an amount of Rs.15353.72 crore had been allocated at BE which was reduced to Rs.12320.67 crore at RE and actual utilization till February, 2018 was Rs.7297.46 crore which is 59.23 per cent of the allocation made at RE. The Committee have noted 'NIL' utilization under schemes like TEC, Establishment of Satellite Gateway Assistance to BSNL, Construction of DoT Headquarters, Investment to HPIL, Loan to HPIL, Telecom Computer Response Team (T-

CERT), Central Equipment Identity Register (CEIR), TDSAT, 5G connectivity Test Bed, etc. The Committee are unable to understand the reasons for 'NIL' utilization under these schemes even by the fag end of the financial year. They are of the firm view that it will be quite impossible to completely utilize the amount allocated at RE during the remaining period of the financial year. For the year 2018-19, Department had proposed an amount of Rs.21986.55 crore at BE for implementation of various schemes. However, an amount of Rs.15306.41 crore has been allocated at BE. Some of the schemes, where there have been reduced allocation vis-à-vis proposed allocation are USOF, OFC based Network for Defence Services, TEC, C-DoT, NICF, TDIP, ITI Revival (Equity Investment), TRAI, Swachhta Action Plan, etc. On the other hand, schemes like WMO, Construction of DoT Headquarters, 5G connectivity Bed, etc. had witnessed increased allocation vis-à-vis proposed amount. To meet the shortfall in the allocation of funds, the Committee have been informed that it would be taken up at the Supplementary Demands for Grants 2018-19. The Committee are happy to note that significant achievements have been made on the infrastructure sector during the last three years, optical fibre coverage had increased from 7 lakh kms. to 14 lakh kms. and number of towers had increased from 7 lakh to 16 lakh. While expediting implementation of key schemes like Compensation to Service Providers for Creation and Augmentation of Telecom Infrastructure – USOF, OFC based network for Defence service, ITI Revival, C-DoT, etc. the Committee also desire that adequate emphasis should be given by Department for better implementation of various other schemes where there had been consistent under utilization of funds. Considering that there is a gap of Rs.6680.14 crore between the amount proposed and the amount allocated at BE during 2018-19, the Committee also desire that adequate steps must be taken by the Department to ensure that implementation of various schemes are not affected due to shortage in allocation of funds.

### **Reply of the Government**

In view of ongoing schemes of national importance, the Department of Telecommunications is committed to make efforts for optimal utilization of funds allotted. Further, to mend the gap between the amount proposed and the amount allocated at BE during 2018-19, the requirement of additional funds has been communicated to MoF for allotment in 1st batch of Supplementary Grant. Any other future requirement of funds, if required, shall be communicated to MoF in due course. However, Scheme-wise road-map for utilization of funds is detailed here under:

- i **Universal Service Obligation Fund**: Rs. 10450 crore was proposed for BE 2018-19 and Rs.10000 crore has been allocated. The said allotment of Rs. 10000 crore includes Rs. 8175 crore for BharatNet and rest of the amount of Rs. 1825 crore for other ongoing schemes of USOF. For expediting the pace of implementation, DoT has adopted a modified strategy for BharatNet which was approved by Cabinet on 19<sup>th</sup> July, 2017 and is as follows: -

- a. Under BharatNet Phase –I, there was a target to connect 1,00,000 GPs through OFC for provisioning broadband services, which has been completed in December, 2017. BharatNet Phase-II, has a target to connect 1.5 lakh GPs through optimal mix of underground/aerial OFC, radio and satellite media by end of March, 2019.
- b. Implementation of Phase-II through States and private sector in addition to CPSUs is in progress.
- c. Replacement of BSNL’s existing fibre wherever the quality of the cable is poor.
- d. Decentralised procurement of equipment through implementing agencies, in addition to Bharat Broadband Network Ltd. (BBNL)
- e. For laying of aerial OFC, advance funding to conduct Geographic Information System (GIS) mapping of electricity poles has been provided to seven states.

The following 3-tier governance structure has been set up for effective project implementation of Phase-II:-

- **Empowered Committee** Chaired by Secretary-DoT for policy matter etc.
- **Steering Committee** headed by Administrator USOF which would have heads of state implementation agencies as its members for operational and co-ordination issues.
- **State Level Implementation Committee** Chaired by Chief Secretary of the State would be set up which would have DoT/USOF/BBNL designated officials as its members.

Apart from BharatNet, the funds shall be utilized on other ongoing schemes of USOF viz Comprehensive Telecom Development Plan for North Eastern Region and Comprehensive Telecom Development Plan for Islands, Left Wing Extremism (LWE) affected areas (Phase I and Phase II) and Wi-Fi Connectivity during the FY-2018-19. The allocation of funds is sufficient for the implementation of the schemes.

- ii **Equity Infusion in HPIL for stamp duty/ Loans to HPIL:** Funds to the tune of Rs. 751 cr. have been requisitioned for in First Batch of Supplementary Demand for Grant and on its allotment shall be utilized.
- iii **Wireless Monitoring Organization:** WMO will ensure that all the schemes proposed under the FY 2018-19 may be implemented in timely manner and further funds, if needed, will be requested in supplementary demands or RE.
- iv **Pandit Deendayal Upadhyaya Sanchar Kaushal Vikas Pratisthans:** An amount of Rs 4.57 Cr has been allotted for this scheme in BE 2018-19. Efforts are being taken to utilize the funds allotted under BE 2018-19 by coordination with BSNL for identification of 10 locations and start of training programmes at the earliest.



Observations of the Committee regarding better implementation of various schemes where there had been consistent under utilization of funds and ensuring adequate allocation of funds have been noted.

- v. **OFC based network for Defence services**: Observations of the Committee regarding better implementation of various schemes where there had been consistent under utilization of funds and ensuring adequate allocation of funds have been noted.

During 2017-18, an amount of Rs.3755 crores was allocated under RE which has been fully disbursed to BSNL for NFS Project. Till 31.03.2018, Rs.8397 crore have been spent on NFS Project. Since most of the OFC have been laid and tenders have been finalized for the equipments, it is expected that the whole amount sanctioned as BE 2018-19 i.e. Rs.4500 crores would be spent during 2018-19. However, additional funds, if required, would be asked at the RE stage after assessing the position of all the components.

- vi. **Telecom Engineering Centre (TEC)**: Though the allotment of Rs. 14.12 Crore against the proposed planned schemes has been given against the requirement given of Rs. 47 Crores is quite less. However, the various schemes are at different stages of implementation i.e. tender approval, floating NIT etc. the reallocation of funds may be asked at the time of RE 2018-19, if required.

- vii. **T-CERT& Central Equipment Identity Register (CEIR)**: RE of Rs. 12.50 cr. for the T-CERT and RE for CEIR to the tune of Rs. 15 crores (out of which Rs. 2.5 cr. Re-appropriated to T-CERT) has been fully utilized.

- viii. **Indian Telephone Industries Ltd.**: During 2017-18 under Capital Section ITI had sought Rs. 555 Crs under BE 2017-18 and Rs. 661 Crs under RE 2017-18 for implementation of various projects under capex, yet only Rs 337 Crs were allotted to ITI in FY 2017-18 and Rs 100 Crs in BE 2018-19. Out of the allocated funds, M/s ITI Limited has utilized Rs 337 Crore during FY 2017-18 for implementation of various projects under its revival plan

During 2017-18 under Revenue section funds to the tune of Rs. 405 Crs to ITI Ltd. in Budget 2017-18 had been allocated. Rs 400.27 Crs were released to ITI in RE 2017-18. Further, during 2018-19 under Revenue section, ITI has sought Rs. 214 Crs against which Rs. 5.01 cr. have been provisioned in 2018-19. ITI has fully utilized the funds allocated capex as above.

The allocated funds under RE 2017-18 had been utilized fully and funds allocated this year will be utilized in the current financial year.

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## **Internal and Extra Budgetary Resources (IEBR)**

### **(Recommendation Sl. No.3)**

The Committee note that there had been continuous underperformance by PSUs under the Department of Telecommunications in meeting the IEBR targets. IEBR is an important revenue source for implementing various schemes of the PSUs and it constitutes the resource raised by PSUs. It is quite understandable that shrinking revenue of PSUs has hampered their capabilities to generate resources. As per the information provided by the Department, the Committee note that with reference to RE, the achievement was only 26.58 per cent during 2014-15, 38.99 per cent in 2015-16, 24.11 per cent in 2016-17. For the year 2017-18, an amount of Rs.15235.75 crore was allocated at BE which was increased to Rs.17501.39 crore at RE and the achievement till December 2017 was only Rs.6231.86 crore which is just 35.60 per cent of the target set at RE. This makes the entire planning process of IEBR doubtful and impractical. For the year 2018-19, the Department had set an IEBR target of Rs.25684.13 crore at BE which is Rs.10448.38 crore more than the BE target of 2017-18. The increase is mainly due to balance payment, provision for operation and maintenance charges and payment of interest and dividends. Even though the Department have informed the Committee that IEBR target projections for the year 2018-19 are based on realistic assessment and achievable, the Committee recommend that a more realistic approach should be adopted while fixing the IEBR target while at the same time all the concerned PSUs should make their best efforts for achieving the IEBR targets during 2018-19.

### **Reply of the Government**

Observations have been noted for adopting more realistic approach while fixing IEBR target. PSUs under DoT have been instructed to make their best efforts for achieving the IEBR targets during 2018-19.

(Ministry of Communications/Department of Telecommunications O.M. No. 16-3/2018-B dated 06.08.2018)

## **Financial Position of Indian Telecom Industry**

### **(Recommendation Sl. No.4)**

Committee note that telecom sector which was showing robust growth at 9 per cent CAGR in the past few years have witnessed declining revenue in the second half of FY 2016-17. The Department have informed the Committee that this was mainly because of recent entry of a new player and the increased competition due to free promotional offers leading to a downward trend of tariffs. Not just PUSs like BSNL and MTNL, but all telcos including established players like Airtel, Vodafone and Idea are facing stress. The total debt of the telecom industry stood at Rs.7.88 lakh crore which is more than thrice the Gross Revenue of the sector at Rs.2.1 lakh crore. The Committee note that to address this situation, an Inter-Ministerial Group was constituted on 16<sup>th</sup> May, 2017 to examine systemic issues affecting viability and repayment capacity, recommend policy reforms and strategic interventions for the sector. The IMG had made numerous recommendations which are under consideration of the Government. The Committee are of the view that telecom sector had contributed substantially for the growth of the country's economy. The Committee hope that a robust telecom sector is required not just for generating employment to millions but for implementing various flagship programmes of the Government. The Committee, therefore, desire that the recommendations of IMG should be considered at the earliest so that the matter may be placed before the Cabinet.

### **Reply of the Government**

4.1 The current issues facing the sector are sought to be addressed in the draft of **New Digital Communication Policy 2018**. The following are envisaged in the draft policy.

**Clause 4.** *The objective of policy is to lay out a framework that will enable creation of a vibrant competitive telecom market to strengthen India's long-term competitiveness and serve the needs of our aspiring nation. It has been broadly estimated that a 10% increase in broadband penetration in a country could potentially lead to an over 1% increase in GDP. However, studies in India estimate that the impact could be significantly higher for the country, given the increased productivity and efficiency gains that are likely to accrue to the economy.*

**Clause 5.** *A robust, competitive landscape, which ensures availability of new communications technologies, services and applications, is central to the growth of GDP, productivity and creation of new jobs in the economy. For consumers, competition leads to innovation, access to new technologies, improved quality, affordable prices and wider choice. Indian consumers need and deserve the widest*

*range of services at competitive rates. The Policy seeks to promote and protect fair competition across the communications and digital economy sector.*

4.2 An **Inter-Ministerial Group** (IMG) was constituted on 16/05/2017 with following terms of reference:

- To examine systemic issues affecting viability and repayment capacity in telecom sector and furnish recommendations for resolution of stressed assets,
- Policy reforms and strategic interventions for Telecom sector.

It came up with the following recommendations:

- **Deferred Payment Liability of TSPs on Spectrum** – TSPs may be given a one-time opportunity to opt for higher number of instalments (16) instead of the currently permitted 10 instalments.

- **Amendments to Spectrum Trading Guidelines** – DoT may issue appropriate clarification that only the gain or profit arising from trade of spectrum shall constitute as part of revenue for the purpose of calculation of AGR.

- **Spectrum Auction and Reserve Price of Spectrum** –

(a) The approach to fixing the reserve price for spectrum may be reviewed for optimization in line with international best practices

(b)The next Spectrum auction may be conducted at a time as considered appropriate by the Government.

(c)The exercise of Harmonization of spectrum in 2300Mhz and other bands may be taken up on priority.

- **Replacing PLR with MCLR for calculation of interest on delayed payment of LF and SUC**–One year MCLR of SBI may be adopted with effect from the date of its introduction by RBI i.e. April 01, 2016 in place of PLR.

- **AGR case to be expedited** -Appropriate steps may be taken by the government to settle these case expeditiously.

- **Import Licenses** – The requirement of obtaining a separate import license from Ministry of Communications may be done away with after consultation with WPC and appropriate amendments may be issued by Ministry of Finance.

- **Transfer of Wireless Equipment** – Permit TSPs to transfer of wireless equipment between licensees and service areas on the basis of intimation only

- **Spectrum Cap Holding** – DoT may consider the issue in consultation with TRAI.
- **Mortgage of Spectrum** – (a) TPA may be reviewed to be in line with IBC in consultation with DFS. (b) Extend the new TPA guidelines all access licenses
- **Long Term Loans to the Telecom Sector** - The banks may take a commercial decision to take advantage of the 5/25 scheme for the telecom sector.

4.3 The draft of New Digital Communication Policy 2018 envisages the following in its preamble:

*“Digital infrastructure and services are increasingly emerging as the key enablers and critical determinants of a country’s growth and well-being. With significantly advanced capabilities in both telecommunications and software, India, more than most countries, stands poised to benefit from harnessing the new digital technologies and platforms; as a means to unlock productivity, as well as to reach unserved and underserved markets; thus catalysing economic growth and development, generating new- age jobs and livelihoods, and ensuring access to next generation services for its citizens.”*

## 2.6 Capacity Building

As for as capacity building is concerned it provides as follow:

*(a) Building human resource capital to facilitate employment opportunities in Digital Communications Sector:*

*i. Building national capacity and institutional capabilities in telecom security tools, standards and forensics including in manufacturing of critical telecom equipment*

*ii. Creating educational resources relating to the communications sector and making them available in an open and accessible format to promote self-directed and collaborative learning through interactive formats, including audio, video and text.*

4.4 The recommendations of IMG were submitted to the Cabinet for its approval vide letter No. L-14005/01/2018-NTG and the same was approved by the Cabinet on 22.02.2018 (CD-137/2018).

The following were the decisions taken by the Department with respect to the recommendations.

### **Deferred Payment Liabilities on spectrum**

- (a) The Licensee may opt one time for higher number of installments including in the current financial year 2017-18 (maximum 16 installments) for deferred payment liabilities as per Notice Inviting Application (NIA) for auctions conducted for award of spectrum in the years 2012, 2013, 2014, 2015 and 2016.
- (b) These installments are based upon the principle that the Net Present Value (NPV) of the "Payment Due" is protected as enumerated in respective NIAs for auctions in the years 2012, 2013, 2014, 2015 and 2016.
- (c) The above one-time opportunity to opt for higher number of instalments for Deferred Payment Liabilities of TSPs for spectrum is another option in addition to currently available payment terms as mentioned in NIAs referred in para 18.3.3 (b) above.
- (d) There shall be no change in the moratorium period as provided in respective NIAs as referred in clause 18.3.3 (b) above for payment of deferred payment liabilities.
- (e) The instalments that have already been paid shall not be modified.

### **Limit of Cap for spectrum holding:**

Notwithstanding anything contained in NIA for auctions conducted for award of spectrum in the years 2012, 2013, 2014, 2015 and 2016, the revised limit of cap for spectrum holding are as detailed below:

- (a) The overall spectrum cap is revised from the current limit of 25% to 35%.
- (b) The current intra-band cap is removed and a cap of 50% on the combined spectrum holding in the sub-1 GHz bands (700 MHz, 800 MHz and 900 MHz bands) is applicable.
- (c) There shall be no cap for individual or combined spectrum holding in above 1 GHz band.
- (d) The principle applied in NIA of August 2016 for calculation of spectrum cap shall continue to be applied while calculating revised overall as well as sub-1GHz spectrum cap. These are enumerated as below:
  - i) All spectrum assigned to TSPs, including quantity of spectrum whose rights to use were put to auction but remained unsold, spectrum whose rights to use were assigned but subsequently surrendered by the TSPs or taken back by the Licensor and quantity of spectrum whose rights to use are being put to auction would be counted for the spectrum cap.

ii) The spectrum which may become available to DoT for commercial use after its re-farming from other uses (such as defence) at different points of time would not be counted for determining the spectrum caps until its rights to use are put to auction.

iii) In case a situation arises where due to any subsequent assignment of spectrum to defence/ non-commercial usage, spectrum cap is affected adversely, no TSP would be asked to surrender right to use of any spectrum which it already holds. For the sake of level playing field among Telecom Service Providers (TSPs), the same spectrum cap shall be made applicable for all the telecom service providers in that Licensed Service Area."

(e) The above spectrum caps may be revisited after Final Acts of World Radio communication Conference (WRC) 2019.

(Ministry of Communications/Department of Telecommunications O.M.No. 16-3/2018-B dated 06.08.2018)

### **Universal Service Obligation Funds (USOF)**

#### **(Recommendation Sl. No.5)**

The Committee note that various schemes are being implemented by the Department under USOF. Some of these schemes are BharatNet Phase-I and II, Mobile Connectivity in Left Wing Extremism (LWE) Affected Areas, Comprehensive Telecom Development Plan for North East Regions, Setting up of Wi-Fi hotspots, Comprehensive Telecom Development Plan for Islands, etc. An analysis of the utilization of funds indicates that during the year 2017-18, an amount of Rs.11636.18 crore was allocated at BE which was reduced to Rs.7000 crore at RE mainly due to reduce allocation under schemes like BharatNet Phase I & II, Augmentation, Creation of Management of OFC Network in NE-I & NE-II, Provision of 25,000 Wi-Fi hotspots, CTDP Island scheme, CTDP NER, etc. The Committee have been informed that till February, 2018, an amount of Rs.5046.61 crore had been utilized and the remaining amount of RE shall be utilized by the end of March, 2018. The Committee have, however, noted 'Nil' utilization under schemes like Augmentation, creation and management of OFC network in Assam Service Area, OFC network in NE-I & NE-II, CTDP Islands schemes, CTDPNER, Augmentation of Transmission Media under CTDP for NER, RDEL-P, etc. The Committee would like to know the reasons for 'Nil' achievement under these schemes inspite of allocating adequate budgetary funds. The Committee are of the view that this leads to blockage of funds which would have been efficiently utilized for implementation of other projects. For the year 2018-19, an amount of Rs.10,000 crore had been allocated at BE. Major priority schemes are BharatNet, Provision of Wi-Fi connectivity under BharatNet, LWE affected areas and CTDP for North East Regions. The Committee recommend that while utmost care should be taken to effectively implement the major priority schemes, the Department

should also keep an eye on the implementation of other schemes where there had been no or little achievement made so far in spite of huge budgetary allocations. The Committee are of the view that implementation of various schemes under USOF should not be allowed to suffer due to want of funds in view of the assurance given by the Ministry of Finance that Government is bound to provide funds for the USOF schemes.

### **Reply of the Government**

It is submitted that Rs. 7000 crore was allocated to meet the requirement of funds for the schemes of USOF during the year 2017-18. Due to non-finalization of tenders, the expenditure could not be incurred in various schemes. Accordingly, based on actual expenditure incurred upto September 2017, reduction in requirement of funds under BharatNet and non-finalization of tenders in various other schemes, the RE 2017-18 was proposed to be less than the allotment of BE. The funds allotted for the FY 2017-18 under RE has been fully utilized effectively in implementation of the schemes.

For the year 2018-19, BE of Rs. 10000 crore has been allocated to meet the requirement of funds under various schemes of USOF. The said allotment of Rs. 10000 crore includes Rs. 8175 crore for BharatNet and Rs. 1825 crore for other ongoing schemes of USOF. The allotment of funds will be utilized effectively to implement the schemes and will not be suffered due to shortage of funds. Further requirement of funds, if any, would be considered at the stage of RE 2018-19.

The status of the ongoing schemes of USOF is as under:-

#### **1. BharatNet :-**

BharatNet Project is to provide broadband connectivity to all 2.5 lakh Gram Panchayats (GPs) (approx.) in the country. Under this project, the Last mile connectivity, through Wi-Fi (2 Access Points per GP) or any other suitable broadband technology, is to be provided at all the GPs (approx. 2.5 lakh) in the country.

#### **BharatNet Phase-I:**

The Phase I to connect 1,00,000 Gram Panchayats (GPs) has been implemented through three Central Public Sector Undertakings (CPSUs) viz. Bharat Sanchar Nigam Limited (BSNL), RailTel and Powergrid. The Phase-I has been completed in December 2017 as over 1 lakh GPs have been connected.



## **BharatNet Project Phase-II:**

For expediting the pace of implementation of the project, the Union Cabinet approved a modified strategy on 19.07.2017 for implementing BharatNet under which, the remaining 1,50,000 (approx.) Gram Panchayats (GPs) in the country are to be provided broadband connectivity in Phase-II of the project. The implementation is to be done through State Model, Private Sector Model and CPSU Model by using an optimal mix of media (OFC, Radio and satellite) to connect GPs. The service delivery mechanism by providing last mile connectivity, through Wi-Fi or any other suitable broadband technology to all 2.5 lakh GPs has been made an integral part of the project. The project is targeted to be implemented by March 2019.

## **Progress of the BharatNet Phase-II:**

For implementation of the Phase-II, the Telecom Commission has decided the model for implementation in each State. The details are as follows:

- i) **State-led model:** 8 States namely Chhattisgarh, Gujarat, Jharkhand, Andhra Pradesh, Maharashtra, Tamil Nadu, Telangana and Odisha, covering about 61,683 GPs, are being implemented under the State-led model. MoUs have been signed with all these States and mobilization advance of Rs. 877 crore has been released to them. The RFP template for EPC model has been finalized and shared with States for floating the tender. All States, except Tamil Nadu, have floated the RFP tenders and are under various stages of processing.
- ii) **CPSU-led model:** 10 States covering 54559 GPs are being implemented under CPSU-led model. Out of these 10 States, 8 States viz. Assam, Haryana, Madhya Pradesh, Rajasthan, Uttar Pradesh, West Bengal, Jammu & Kashmir and Sikkim are being implemented by BSNL. DPRs have been submitted for all States except J&K, which has been approved by the Telecom Commission. 2 States viz. Himachal Pradesh and Uttarakhand are being implemented by PGCIL. DPR has been submitted for Himachal Pradesh by PGCIL, which has been approved by the Telecom Commission.
- iii) **Private Sector Model:** Under Private Sector Model, tender for selection of Implementation Agency in two States covering about 7500 GPs viz. Punjab & Bihar has been floated on by BBNL and tender evaluation is under process.
- iv) **Connectivity on Satellite media:** About 6407 GPs, located in remote and hilly locations with poor connectivity, are being connected on Satellite media so as to provide broadband connectivity to all the GPs within the approved timeline. Out of 6407 GPs on satellite media, 1407 Gram Panchayats are to be connected by BSNL for which it has initiated action;

while for the remaining 5000 GPs, an RFP has been floated by BBNL on 12.03.2018 for implementation.

**Status of BharatNet:**

As on 10.06.2018, Optical Fibre connectivity has been provided to 1,16,690 GPs by laying 2,78,710 km of Optical Fibre Cable (OFC) and 1,11,114 GPs are Service Ready. Total estimated cost of the project is Rs. 42,068 Crore which includes Rs. 11,148 Crore for Phase-I and Rs. 30,920 crore for Phase-II. Rs. 16,286 crore has been disbursed upto 2017-18 and Rs. 8,175 crore has been allocated for the current FY 2018-19.

**2. Implementation of Comprehensive Telecom Development Plan for North Eastern Region:-**

On 10.09.2014, the Union Cabinet approved a proposal to implement a Comprehensive Telecom Development Plan for the North-Eastern Region. The Project envisaged to provide mobile coverage by 2G technology to 8621 identified uncovered villages by installation of 6673 mobile towers, 321 mobile tower sites along National Highways and strengthening of transmission network in the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. The estimated cost of implementation was Rs. 5336.18 crore, to be funded by Universal Service Obligation Fund (USOF).

On 23.05.2018, Cabinet has approved the revised cost of the project of Rs. 8120.81 Crore, to be funded from USOF. The plan consists of the following three schemes:

**A. Mobile Services in Uncovered Villages of Arunachal Pradesh and 2 Districts of Assam:**

On 29.09.2017, Telecom Commission approved the project for 2817 mobile tower sites to provide mobile coverage in 4119 identified uncovered villages at a cost of Rs. 2258.18 crore. The agreement has been signed with BSNL on 16.01.2018. Scheme shall be implemented in 18 months from the effective date of agreement. Advance Purchase Order has also been issued by BSNL to L-1 on 21.03.2018 and L-2 on 10.04.2018. Field trial for the same has already commenced by involving TEC & DoT for ascertaining Quality of Services & coverage parameters.

**B. Mobile Services in Uncovered villages in rest of NER and seam less coverage along National Highway:**

Under this scheme a total of 4177 mobile towers are to be setup to provide mobile services in 4502 identified uncovered villages in Rest of NER and on National Highways in NER. Out of this, work of setting up 2004 towers in rest of the NER States excepting Meghalaya is to be executed by M/s Bharti Airtel Limited & M/s Bharti Hexacom Limited. Telecom Commission has approved to award the project on 8.9.2017 at a cost of Rs 1656 crore and the Agreement has been signed on 08.12.2017. Survey report for more than 75% of sties have been completed by the USP.

For Meghalaya, Telecom Commission had recommended on 21.12.2017, for setting up of 2173 towers on 2G + 4G technology. The project has been approved by the Cabinet on 23.05.2018 at an estimated cost of Rs. 3911 crore.

**C. OFC Augmentation Scheme under Transmission Media Plan:**

Under this scheme, BSNL has to provide OFC ring connectivity between respective state capitals in NER and also between state capitals & district headquarters to ensure reliability and redundancy in the transmission network. Rs. 295.97 Crore (inclusive of all applicable taxes except octroi and local taxes) has been allocated towards CAPEX for laying of 2122 Km of underground Optical Fibre cable and 1091 Km of aerial Optical Fibre cable along with associated terminal equipment for augmentation of transmission media in NER. Two tenders floated by BSNL in February 2015 and April 2015 for procurement of transmission equipment and optical fibre including laying and trenching. Tender evaluation report along with cost discovered submitted by BSNL on 28.12.2016. Since rates were high, BSNL re-floated Tender on 4.5.2017 for cable laying & trenching for 2268 Kms. The tender was opened on 16.10.2017 and tender evaluation report has been received from BSNL on 27.03.2018 which is 103% higher than the estimated cost. Tender for OFC equipment has also been floated by BSNL. The tender was opened on 06.04.2018. BSNL has accepted the reports of CET / PNC in respect of tender floated and submitted on 24.04.2018 to USOF/DOT for approval of competent authority. The note for consideration of Telecom commission is under process.

### **3. Implementation of Comprehensive Telecom Development Plan for Islands:**

Telecom Commission in its meeting held on 07.11.2014 approved in principle an Integrated and Comprehensive Telecom Development Plan for Andaman & Nicobar Islands and Lakshadweep in accordance with TRAI recommendations dated 22.07.2014 for 'Improving Telecom Services in Andaman & Nicobar Islands and Lakshadweep'. The plan consists of the following schemes:

#### **3.A. Andaman & Nicobar Islands: -**

##### **i. Submarine OFC Connectivity between Mainland India (Chennai) and Port Blair and 5 other Andaman & Nicobar Islands:**

On 21.09.2016, Cabinet approved the proposal for Submarine OFC connectivity between Mainland India (Chennai) & Port Blair and five other Islands i.e. Car Nicobar, Little Andaman, Havelock, Kamorta and Great Nicobar Island in single phase. Future bandwidth requirement of 55.66 Gbps forecasted by TRAI for backhaul shall be met through this project. CAPEX of Rs. 880.03 Crore will be funded by USO Fund while OPEX of Rs. 44.47 Crore per annum initially for five years will be funded by Andaman & Nicobar UT Administration/ MHA. BSNL has been nominated as the Project Execution Agency. TCIL has been nominated as Technical consultant for the project. In-principle approval of the Competent Authority was also conveyed to BSNL on 22.08.2017 for Submarine OFC connectivity of Rangat Island via Long Island from Havelock Island in addition to Six Islands already approved by the Cabinet on 21.09.2016 with an additional cost of Rs. 51 Crore. Tender has been floated by BSNL on 07.07.2017 and the tender was opened on 06.02.2018. Financial bid was opened on 21.02.2018.

BSNL has intimated vide letter dated 21.03.2018 that after detail financial evaluation of the Bid, CET observed that there is a scope for reduction of prices and recommended for the Price Negotiation. The CET performing financial evaluation was nominated by the Price Negotiation Committee. After negotiation the committee submitted its financial CET / PNC report dated 12.03.2018. Telecom Commission has approved the total financial implication as Rs. 1224 Crore for the project. The timeline for completion of the project is 2 years from the date of award of work.

**ii. Satellite Bandwidth Augmentation:**

Under this scheme, satellite bandwidth is to be augmented from 260 Mbps to 1 Gbps. The work has been awarded to BSNL on nomination basis. Estimated CAPEX of Rs. 80.98 Crore is to be funded by USO Fund while OPEX/transponder charges are to be funded by Andaman & Nicobar UT Administration/ MHA. Bandwidth augmentation has been completed by BSNL.

**Satellite Bandwidth Augmentation from 1 Gbps to 2 Gbps:**

Telecom Commission has approved satellite bandwidth augmentation from 1 Gbps to 2 Gbps on 21.12.2017 by BSNL on nomination basis. CAPEX of Rs. 42.24 crore (including taxes) to be funded by USOF. OPEX is to be funded by MHA. Approval of Telecom Commission dated 26.12.2017 has been communicated to BSNL. The project is targeted to be commissioned by 31.12.2018.

**iii. Provision of 2G + 4G Mobile services in uncovered villages and for seamless connectivity on NH223:**

On 09.01.2018, Telecom Commission appraised the proposal for setting up of 214 towers to provide 2G+4G Mobile coverage in 172 uncovered villages with population  $\geq 10$  and entire 129 km of uncovered NH223 including 80 km falling within Jarawa Tribal Reserve Belt. The tender has been floated on 07.06.2018. The Estimated cost of Project is Rs. 342.40 Crore (CAPEX & OPEX), excluding taxes and the project is to be implemented by 31.12.2019.

**iv. Augmentation of Intra Island OFC network:**

Under this scheme, augmentation of bandwidth is to be carried out by enhancing the capacity of the network and providing OFC in ring configuration for providing redundancy in the land OFC network by laying about 321 Km OFC. The work has been awarded to BSNL on nomination basis and CAPEX of Rs. 35.35 Crore is to be funded by USO Fund. As on 31.12.2017, 60 kms duct has been laid. The project is targeted to be implemented by September 2018.

**3.B. Lakshadweep:-**

**i. Satellite Bandwidth Augmentation:**

Under this scheme, satellite bandwidth is to be augmented from 102 Mbps to 318 Mbps. The work has been awarded to BSNL on nomination basis. Telecom Commission on 29.04.2016 approved the CAPEX of Rs. 46.53 Crores

to be funded by USO Fund while OPEX/ transponder charges are to be funded by Lakshadweep UT Administration/ MHA. Satellite bandwidth has been augmented from 102 Mbps to 358 Mbps.

**ii Provision of Mobile Coverage by setting up of additional towers in Lakshadweep:**

Telecom Commission on 14.12.2016 approved, on the basis of TRAI recommendations dated 22.07.2014, for installation of 10 new BTS towers to improve quality of service. The work has been awarded to BSNL on nomination basis. The CAPEX of Rs. 10.1 Crore is to be funded by USO Fund. All the 10 BTS towers are radiating and the project has been completed.

**4. Left Wing Extremism (LWE) Affected Areas:-**

- (a) On 20.08.2014, the Cabinet approved a project implementation cost of Rs. 3567.58 crores (inclusive of all taxes except octroi and local taxes), discovered by BSNL through tender process, to provide Mobile Services in 2199 locations [1836 new sites & 363 sites already installed by BSNL] in Left Wing Extremism (LWE) affected areas in the states of Andhra Pradesh, Bihar, Chhattisgarh, Jharkhand, Maharashtra, Madhya Pradesh, Odisha, Telangana, Uttar Pradesh and West Bengal, to be funded by Universal Service Obligation Fund (USOF). The project is executed by Bharat Sanchar Nigam Limited (BSNL). Agreement between USOF and BSNL has been signed on 30.09.2014.
- (b) In addition to above, Ministry of Home Affairs has identified 156 locations for provision of mobile services in LWE affected areas. The Department of Telecommunication has approved provision of mobile services at 156 locations at an estimated cost of Rs 272.40 Crore in June 2016.
- (c) The Competent Authority had approved the augmentation of LWE sites with VSAT backhaul from present 207 to 405 sites with a satellite bandwidth capacity of 1024 kbps. The additional 198 LWE sites (405-207=198 sites) with VSAT backhaul entail a total outlay of Rs. 151.80 Crore which has been approved by MoC. The same was communicated to BSNL on 20.02.2018. BSNL has been asked to furnish information regarding all such sites for which upgradation has been approved and upgraded by BSNL. In case the sites are not up-graded, the site wise tentative date of commissioning of such sites has also been called upon.
- (d) Further, Telecom Commission in its meeting of 21st December 2017 has recommended enhancement of VSAT bandwidth 1 Mbps to 2 Mbps at

all sites on VSAT under LWE Phase-I at the cost of 89 Crore. BSNL has further been asked to furnish the site-wise (405 sites with VSAT Backhaul) details and date of change/up-gradation of VSAT bandwidth, considering the fact that VSAT bandwidth has been up-graded in staggered manner since inception of this project.

2335 out of 2355 sites under phase-1 are radiating as reported by CCAs office. The project cost is Rs 4080.78 Crore. Rs 2214.24 Crore has been disbursed upto 30.04.2018. Rs. 500 crore has been allocated for the current FY 2018-19.

**LWE Phase-II:** - The Cabinet, on 23.05.2018, has approved the LWE Phase-II project for provision of mobile services at 4072 locations identified by MHA in Left Wing Extremism affected areas at an estimated cost of Rs. 7330 crore (excluding taxes). The roll out period of Project is 18 months from the date of signing of the agreement with implementing agency.

(Ministry of Communications/Department of Telecommunications O.M. No. 16-3/2018-B dated 06.08.2018)

### **Mobile Communication in LWE affected areas**

#### **(Recommendation Sl. No.7)**

The Committee note that in addition to 2199 towers approved by Cabinet on 20.08.2014, Government had approved setting up of towers in 156 additional sites making it total of 2355 sites in LWE affected areas. As per the information furnished by the Department, out of these 2355 sites, 2329 sites are radiating. The Committee have also been informed that DoT had approved enhancement of VSAT bandwidth from 512 kbps to 1024 Kbps on 198 sites of LWE Phase-I in July, 2017. Further, Telecom Commission has recommended enhancement of VSAT bandwidth to 2 Mbps at all sites on VSAT under LWE Phase-I. DoT has also received an additional requirement from Ministry of Home Affairs for provisioning of 4072 mobile towers in 96 security Related Expenditure Districts for which Note for the Cabinet approval is under process. With regard to budgetary utilization, the Committee note that during 2017-18, an amount of Rs.400 crore had been allocated both at BE and RE. Out of this, an amount of Rs.361.86 crore has been utilized. During 2018-19, the Department have proposed an amount of Rs.424 crore, however an increased amount of Rs.524 crore has been allocated at BE. With regard to physical target for the Plan 2018-19, the Committee note that in addition to 4072 locations identified by Ministry of Home Affairs to be set up with a viability gap funding of Rs.7330 crore from USOF, the remaining 14 towers shall also be installed. The Committee are glad to note that due

to implementation of this scheme 3000 villages have been provided with connectivity and has helped in the operation of the Security forces. The Committee feel that still so much more needs to be done in these areas. The Committee recommend that enhancement of VSAT bandwidth at 198 sites and all VSAT sites as recommended by DoT and Telecom Commission should be urgently implemented. Moreover, Note for approval of Cabinet for setting up of towers in 4072 towers should be expedited so that the target can be achieved during 2018-19. Since the project is to be funded through USOF, the Committee are hopeful that there will be no shortage of funds for the implementation of this project.

### **Reply of the Government**

#### **Left Wing Extremism (LWE) Affected Areas:**

(a) On 20.08.2014, the Cabinet approved a project implementation cost of Rs. 3567.58 crores (inclusive of all taxes except octroi and local taxes), discovered by BSNL through tender process, to provide Mobile Services in 2199 locations [1836 new sites & 363 sites already installed by BSNL] in Left Wing Extremism (LWE) affected areas in the states of Andhra Pradesh, Bihar, Chhattisgarh, Jharkhand, Maharashtra, Madhya Pradesh, Odisha, Telangana, Uttar Pradesh and West Bengal, to be funded by Universal Service Obligation Fund (USOF). The project is executed by Bharat Sanchar Nigam Limited (BSNL). Agreement between USOF and BSNL has been signed on 30.09.2014.

(b) In addition to above, Ministry of Home Affairs has identified 156 locations for provision of mobile services in LWE affected areas. The Department of Telecommunication has approved provision of mobile services at 156 locations at an estimated cost of Rs 272.40 Crore in June 2016.

(c) The Competent Authority had approved the augmentation of LWE sites with VSAT backhaul from present 207 to 405 sites with a satellite bandwidth capacity of 1024 kbps. The additional 198 LWE sites (405-207=198 sites) with VSAT backhaul entail a total outlay of Rs. 151.80 Crore which has been approved by MoC. The same was communicated to BSNL on 20.02.2018. BSNL has been asked to furnish information regarding all such sites for which upgradation has been approved and upgraded by BSNL. In case the sites are not up-graded, the site wise tentative date of commissioning of such sites has also been called upon.

(d) Further, Telecom Commission in its meeting of 21st December 2017 has recommended enhancement of VSAT bandwidth 1 Mbps to 2 Mbps at all sites on VSAT under LWE Phase-I at the cost of 89 Crore. BSNL has further been asked to



furnish the site-wise (405 sites with VSAT Backhaul) details and date of change/up-gradation of VSAT bandwidth, considering the fact that VSAT bandwidth has been up-graded in staggered manner since inception of this project.

2335 out of 2355 sites under phase-1 are radiating as reported by CCAs office. The project cost is Rs 4080.78 Crore. Rs 2214.24 Crore has been disbursed upto 31.03.2018. Rs. 500 crore has been allocated for the current FY 2018-19.

**LWE Phase-II:** - The Cabinet, on 23.05.2018, has approved the LWE Phase-II project for provision of mobile services at 4072 locations identified by MHA in Left Wing Extremism affected areas at an estimated cost of Rs. 7330 crore (excluding taxes). The roll out period of Project is 18 months from the date of signing of the agreement with implementing agency.

(Ministry of Communications/Department of Telecommunications O.M. No. 16-3/2018-B dated 06.08.2018)

#### **OFC based network for Defence service**

##### **(Recommendation Sl. No.8)**

The Committee note that the project was sanctioned by the Cabinet Committee on infrastructure for Defence Service in lieu of the spectrum to be vacated by them. The project involved laying of 60,000 Kms. of OFC and purchase of equipment. With regard to the status of implementation of the project, 52,000 Kms. *i.e.* 87 per cent of OFC had been laid and for equipment, out of eight components tenders have been finalized for six. Several factors, such as getting RoW permission from various agencies like NHAI, Railways, Oil India, BRO, MoEF and various State agencies like PWD, Forest Wildlife, and Municipal agencies, court cases by various bidders at tendering stages are acting as major impediments in the implementation of the project. The Committee also note that the cost of the project has again increased from Rs.13,334 crore to Rs.24,664 crore and the process for taking necessary approval from the Cabinet is under process. With regard to utilization of funds, the Committee note that during 2017-18, an amount of Rs.3000 crore had been allocated at BE which was increased to Rs.3755 crore at RE. Out of this an amount of Rs.1726 crore had been utilized till February, 2018. It is expected that the entire RE allocation would be utilized by March, 2018. For the year 2018-19, an amount of Rs.10,000 crore has been proposed, however an amount of Rs.4500 crore only has been allocated at BE. The Committee note that, NFS is a project of national importance intended to provide a dedicated, state-of-the-art communication facilities for the Defence services. Since AdvancePurchase/Purchase Orders have been released for 08 components, an amount of Rs.8323 crore would have been incurred on NFS by end of March, 2018. Since delay in the implementation of the project had

again led to cost overrun, the Committee recommend that necessary approval of the Cabinet for enhancement of the project should be taken at the earliest so that it can be completed within the stipulated deadline. The Committee desire to be apprised of all the progress made in this regard.

### **Reply of the Government**

The enhancement of cost estimate in NFS project from Rs.13,334 crores to Rs.24,664 crores has been approved by Cabinet Committee on Economic Affairs (CCEA) in its meeting held on 16.5.2018. During 2017-18, an amount of Rs.3755 crores was allocated under RE which has been fully disbursed to BSNL for NFS Project.

(Ministry of Communications/Department of Telecommunications O.M. No. 16-3/2018-B dated 06.08.2018)

### **5G Connectivity Test Bed**

#### **(Recommendation Sl. No.10)**

The Committee note that 5G is the next technological frontier. The Committee have been informed that a High Level Task Force has been set up under Prof. Paul Raj and it is expected that India's roadmap for 5G will be unveiled by June or July of this year. The Committee also note that to develop an entire ecosystem, budget allocation of Rs.35 crore at RE 2017-18 has been made for indigenous 5G Test Bed. However, the amount allocated could not be utilized as the matter is under examination at present in Department of Legal Affairs for legal vetting of the terms and conditions governing Grants-in-Aid for the project. During 2018-19, an amount of Rs.134.48 crore has been allocated at BE. The amount allocated can be utilized only after legal vetting of terms and conditions governing Grants-in-Aid for the project by the Department of Legal Affairs and due approval of the competent authority. The Committee desire that sincere efforts should be made for development of sufficient capabilities so as to take advantage of emerging technologies and assume a position of leadership. The Committee are glad to note that attempt is being made to better harvest the available capabilities and resources in this area. The Committee desire that the Department of Legal Affairs should expedite legal vetting of terms and conditions governing Grants-in-Aid for the project so that Department could take approval of competent authority at the earliest and funds made available for the scheme. The concern of the Committee in this regard may be forwarded to the Department of Legal Affairs and the Committee apprised of all progress made in this regard.

## **Reply of the Government**

The administrative approval for financial assistance/grant for the project to set up 'Indigenous 5G Test Bed' (Building an end to end 5G Test Bed) in India at a total cost of Rs. 224.01 crore over a period of 36 months by the implementing agencies viz. IIT Bombay, IIT Delhi, IIT Hyderabad, IIT Madras, IIT Kanpur, IISc Bangalore, SAMEER and CEWiT was issued. The sanction order for payment of first installment of an amount of Rs. 35 cr. to Grantee institutions was issued.

(Ministry of Communications/Department of Telecommunications O.M. No. 16-3/2018-B dated 06.08.2018)

### **Real Estate Management**

#### **(Recommendation Sl. No.12)**

There are total of 15,192 land parcels available with BSNL. Out of these, 14,181 land parcels are freehold and 1,011 land parcels are lease hold. The Committee note that fair value of 4,030 prime land parcels have been ascertained and as on 01.04.2015, the fair value is Rs.70,524.89 crore. With regard to utilization of lands available, the Committee note that proposals for commercial exploitation of 7 land parcels were submitted to DoT for approval between 26.12.2013 to 29.04.2014. The proposals entail total upfront revenue of Rs. 1,057 Crores and Net Present Value (NPV) of Rs. 2,863 Crores. The decision is still awaited from DoT. The Committee have been informed that requisite approval could not be granted due to policy decision of Government of India stipulating that specific approval of the Cabinet in each case of sale or long term lease of land belonging to the Government or Government controlled statutory authorities would be required. The Cabinet Secretariat has recently provided clarifications on some of the issues. Accordingly, requisite action in this regard is underway. The Committee have also been informed that BSNL has received proposal for ten land parcels in Telangana Circle from HPCL, 5000 sq ft. land in Karnataka Circle from UIDAI, 15 land parcels in HP Circle from IOCL, 9 land Parcels inGujarat Circle from IOCL, 6 land parcels in MP Circle, 20 Acre land inTamilnadu Circle from Chennai Metro Rail Corporation Ltd., 4 land parcels in Kerala Circle from HPCL, 5 land parcels of Rajasthan Circle from HPCL, 6 land parcels in UP(West) Circle from BPCL, and 5 land parcels in Punjab Circle from HPCL. Out of these proposals, one proposal for 10 land parcels in Telangana Circle from HPCL has been submitted to DoT for accord of approval in accordance with Article of Association of BSNL- 144(3) (a) and other proposals are with BSNL in advance stage of submission to DoT.

The Committee feel that tremendous opportunity exists for BSNL to earn revenue from commercial exploitation of land available with them, which otherwise are laying

idle. Considering the declining revenue of the company, the Committee find it absolutely necessary that BSNL should be allowed to commercially develop the lands. The Committee, therefore, recommend that all proposals of BSNL which are under consideration of the Department should be expedited at the earliest.

### **Reply of the Government**

Article 144 (3) of MOA/AOA of BSNL stipulates that approval of the President would be required for - **(a)** sale, lease or disposal of any land, **(b)** sale or disposal of any building, and **(c)** lease/rent agreement of spare-able capacity of buildings exceeding ten (10) years period or extension thereof. BSNL sought approval of the Cabinet for leasing land parcels at 9 locations in Hyderabad SSA Telangana Telecom circle on long term basis i. e. 9 years to M/s HPCL in terms of Cabinet Secretariat vide their DO letter No. 511/2/1/2010-CA.III dated 21/03/2011 which stipulates that specific approval of the Cabinet in each case of sale or long term lease of land belonging to the Government or Government controlled statutory authorities would be required.

It was decided that instead of approaching Union Cabinet for each and every case of sale or long-term lease of land, suitable guidelines/clarifications in respect of the following issues may be sought from the Cabinet Secretariat: -

**(i) To distinguish between short-term lease and long-term lease:**

Cabinet Secretariat vide their DO letter dated 21/03/2011 referred above imposed restriction on entering long-term lease in respect of land. In this context, the word 'long-term lease' may kindly be quantified. With a view to optimum utilization of available resources with generation of requisite revenue, administrative Ministry may be allowed to execute short-term Lease Agreement (not exceeding ten years' period) in respect of land as well as buildings subject to fulfillment of prescribed procedure.

**(ii) Transfer of land from PSUs to PSUs/Govt /local bodies and vice versa:**

Relaxation has been conveyed vide OM No. 511/2/1/2010-Cab-III dated 30.7.2012 in respect of transfer of land from Central Government to statutory bodies/PSUs and certain other cases. It may kindly be clarified whether transfer of land from (a) PSUs to Government, (b) PSUs to PSUs and (c) PSUs to local bodies and vice versa is exempted. In this context, the Department of Telecom is of the view that transfer of land & buildings from Central Government to Statutory Bodies/PSUs/Government Societies/State Government and vice versa may be permitted subject to requisite formalities.

Subsequently, the following clarifications were received from Cabinet Secretariat vide their ID note dated 13/02/2018: -

(a) Long-term lease/ transfer of land/alienation among Central Government Ministries/Departments/Statutory Authorities/CPSUs do not require Cabinet approval on account of clarification dated 20.07.2017 (Copy placed below) of this Secretariat. Hence, such transfer can be done under ToB Rules without necessarily requiring cabinet approval in such cases.

(b) Long-term lease/alienation/transfer of land of Government of India Ministries/Departments / CPSEs to State Government Agencies/Local Bodies/ Private Parties would require Cabinet approval.

(c) Short-term lease of land by Government bodies/Statutory Authorities/CPSUs are not covered under the above mentioned directions of this Secretariat. Hence, ToB Rules may apply and Cabinet approval may not be necessary. **However, DoT is advised to frame policy guidelines in this regard with the approval of competent authority, as was done in M/o Shipping.**

(d) The issue of transfer / alienation of land belonging to Government of India/ CPSEs/Autonomous Bodies etc. to registered Societies / trust fully controlled by GoI is under examination in this Secretariat and appropriate instructions will be issued in due course.

After getting the aforesaid clarifications, the proposal of commercial exploitation of BSNL land at 9 locations in Hyderabad SSA on long term basis i. e. 9 years to M/s HPCL in terms of Article 144 (3) of MOA/AOA of BSNL was submitted seeking approval of competent authority and the same has been approved subject to making policy guidelines as suggested by Cabinet Secretariat at Para (c) of their aforesaid ID note dated 13/02/2018. The framing of policy guidelines in this regard is under process in consultation with BSNL.

(Ministry of Communications/Department of Telecommunications O.M. No. 16-3/2018-B dated 06.08.2018)

#### **(Recommendation Sl. No.17)**

The Committee note that ITI's main turnover is coming from Government business like BSNL, BBNL, MTNL and Defence. Efforts are being put in place to increase its share in private sector. The Committee also note that ITI is also exploring viable manufacturing options for new technologies like 5G about which discussion is going on with C-DoT and other major players of 5G. Even though 5G technology is still at evolving stage, the Committee recommend that ITI should take all measures to take economic benefits from newer technologies like 5G, Internet of Things, M2M etc. Efforts should also be made to increase its market share with the private players also instead of only catering to Government sector.

### **Reply of the Government**

ITI is exploring viable manufacturing options for new and emerging technologies in the telecom like 5G which is yet take off in big way in the country. ITI is already in discussion with C-DoT and actively pursuing the same.

(Ministry of Communications/Department of Telecommunications O.M. No. 16-3/2018-B dated 06.08.2018)

**CHAPTER III**

**RECOMMENDATION/OBSERVATION WHICH THE COMMITTEE DO NOT DESIRE TO  
PURSUE IN VIEW OF THE REPLIES OF THE GOVERNMENT**

-Nil-

## CHAPTER IV

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

#### BharatNet

#### (Recommendation Sl. No.6)

The Committee note that as on 19.07.2017, the Union Cabinet had approved a modified strategy for BharatNet in three Phases. Under Phase-I, 1,00,000 GPs will be provided with connectivity. Under Phase-II, remaining 1,50,000 GPs (approx.) are targeted to be implemented by March, 2019. Phase-III, will be to upgrade the network to meet the future requirements. With regard to the status of the project, Phase-I has been completed as 1,00,000 GPs have been connected by December, 2017. The Committee also note that as on 11.02.2018, pipe had been laid to 116054 GPs and 102546 GPs have been made service ready. The target is now to provide connectivity to 1.5 lakh GPs by March, 2019. With regard to status of utilization of funds, the Committee note that during 2017-18, an amount of Rs.10,000 crore was allocated at BE which was reduced to Rs.6000 crore at BE. The actual utilization made was Rs.4350 crore. For the year 2018-19, an amount of Rs.8000 crore had been allocated at BE. The Committee are of the view that the amount allocated at BE will be too inadequate because as per the total estimate approved by the Union Cabinet, the Capex cost alone for connecting 1.5 lakh GPs in Phase-II will be 18,792 crore. With other activities (exclusive of GST, octroi and local taxes) the amount approved by Union Cabinet for Phase-II project is Rs.30,920 crore. Keeping in view that BharatNet project had been severely delayed, the Committee recommend that the Department should make sincere efforts to ensure that Phase-II target of providing connectivity to 1.5 lakh GPs by March, 2019 is achieved without fail. With regard to shortage in allocation of funds, the Committee trust that the Ministry of Finance will uphold in letter and spirit, the assurance given to the Department *vide* their letter dated 28.07.2014 that as and when the schemes take off, Government is bound to provide funds for this scheme through USOF. Since adequate balance is available with USOF, implementation of this project should not be allowed to suffer due to shortage of funds and any requirement of funds should promptly be made available for the implementation of the project.

#### Reply of the Government

**BharatNet:** BharatNet Project is to provide broadband connectivity to all 2.5 lakh Gram Panchayats (GPs) (approx.) in the country. Under this project, the Last mile connectivity, through Wi-Fi (2 Access Points per GP) or any other suitable broadband technology, is to be provided at all the GPs (approx. 2.5 lakh) in the country.



### **BharatNet Phase-I:**

The Phase I to connect 1,00,000 Gram Panchayats (GPs) has been implemented through three Central Public Sector Undertakings (CPSUs) viz. Bharat Sanchar Nigam Limited (BSNL), RailTel and Powergrid. The Phase-I has been completed in December 2017 as over 1 lakh GPs have been connected.

### **BharatNet Project Phase-II:**

For expediting the pace of implementation of the project, the Union Cabinet approved a modified strategy on 19.07.2017 for implementing BharatNet under which, the remaining 1,50,000 (approx.) Gram Panchayats (GPs) in the country are to be provided broadband connectivity in Phase-II of the project. The implementation is to be done through State Model, Private Sector Model and CPSU Model by using an optimal mix of media (OFC, Radio and satellite) to connect GPs. The service delivery mechanism by providing last mile connectivity, through Wi-Fi or any other suitable broadband technology to all 2.5 lakh GPs has been made an integral part of the project. The project is targeted to be implemented by March 2019.

### **Progress of the BharatNet Phase-II:**

For implementation of the Phase-II, the Telecom Commission has decided the model for implementation in each State. The details are as follows:

- v) State-led model:** 8 States namely Chhattisgarh, Gujarat, Jharkhand, Andhra Pradesh, Maharashtra, Tamil Nadu, Telangana and Odisha, covering about 61,683 GPs, are being implemented under the State-led model. MoUs have been signed with all these States and mobilization advance of Rs. 877 crore has been released to them. The RFP template for EPC model has been finalized and shared with States for floating the tender. All States, except Tamil Nadu, have floated the RFP tenders and are under various stages of processing.
- vi) CPSU-led model:** 10 States covering 54559 GPs are being implemented under CPSU-led model. Out of these 10 States, 8 States viz. Assam, Haryana, Madhya Pradesh, Rajasthan, Uttar Pradesh, West Bengal, Jammu & Kashmir and Sikkim are being implemented by BSNL. DPRs have been submitted for all States except J&K, which has been approved by the Telecom Commission. 2 States viz. Himachal Pradesh and Uttarakhand are being implemented by PGCIL. DPR has been submitted for Himachal Pradesh by PGCIL, which has been approved by the Telecom Commission.
- vii) Private Sector Model:** Under Private Sector Model, tender for selection of Implementation Agency in two States covering about 7500 GPs viz. Punjab

& Bihar has been floated on by BBNL and tender evaluation is under process.

**viii) Connectivity on Satellite media:** About 6407 GPs, located in remote and hilly locations with poor connectivity, are being connected on Satellite media so as to provide broadband connectivity to all the GPs within the approved timeline. Out of 6407 GPs on satellite media, 1407 Gram Panchayats are to be connected by BSNL for which it has initiated action; while for the remaining 5000 GPs, an RFP has been floated by BBNL on 12.03.2018 for implementation.

#### **Status of BharatNet:**

As on 10.06.2018, Optical Fibre connectivity has been provided to 1,16,690 GPs by laying 2,78,710 km of Optical Fibre Cable (OFC) and 1,11,114 GPs are Service Ready. Total estimated cost of the project is Rs. 42,068 Crore which includes Rs. 11,148 Crore for Phase-I and Rs. 30,920 crore for Phase-II. Rs. 16,286 crore has been disbursed upto 2017-18 and Rs. 8,175 crore has been allocated for the current FY 2018-19.

Ministry of Communications/Department of Telecommunications O.M. No. 16-3/2018-B dated 06. 08.2018)

#### **Comments of the Committee (Please see Para No. 8 of Chapter I)**

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

#### **(Recommendation Sl. No.11)**

During 2017-18, BSNL has set a revenue target of Rs.26,500 crore. However, till December, 2017, BSNL's total income was Rs.16268 crore and the corresponding expenditure was Rs.24562 crore, incurring a total loss of Rs.8294 crore. For the year 2018-19, the projected revenue and projected expenditure is Rs.28500 crore and Rs.35850 crore respectively. The Committee note that revenue receipts of BSNL has declined in all segments except passive infrastructure. This is mainly because of hyper competition in the telecom industry and huge salary cost. The only solace is that with a total debt of Rs.9000 crore, BSNL is still the least indebted company in the industry. The Committee have also been informed that steep decline in tariffs shall ease and tariff may increase in the coming months. The Committee have also been informed that BSNL is endeavouring to earn revenue from land and building assets as well as by providing Project Management Consultancy to other Government Departments for their civil work. The Committee are of the view that in the given circumstance, it will

not be easy for BSNL to increase its revenue earning. The Committee are also not convinced that tariff may increase in the coming months. Since BSNL revenue is declining in all segments except passive infrastructure, the Committee desire that BSNL should now try their best to decrease their expenditure. There is an urgent need to reduce its huge salary burden. In this regard, the Committee recommend that VRS proposal of BSNL which is under submission should be considered at the earliest. With regard to giving Government projects to BSNL on nomination basis, the Committee are glad to note that the Department are looking to position BSNL as the foremost rural player and prime importance has been given to BSNL under BharatNet. The Committee hope that BSNL would take all necessary steps to take advantage of this opportunity to improve their services and increase revenue earnings.

### **Reply of the Government**

From BSNL no proposal on VRS has been received in DoT. Recommendations as suggested by the Committee have been noted by BSNL for future guidance and action regarding reducing expenditure.

Ministry of Communications/Department of Telecommunications O.M. No. 16-3/2018-B dated 06.08.2018)

### **Comments of the Committee (Please see Para No. 11 of Chapter I)**

#### **4G Spectrum for BSNL and MTNL**

#### **(Recommendation Sl. No.15)**

The Committee note that in telecom sector, the voice market is already saturated and now the demand is on data. BSNL and MTNL have submitted proposal for allotment of spectrum with Government support for launching of 4G services in their respective Licensed Service Areas (LSAs). The Committee have been informed that Hon'ble Minister had declared on the floor of the House that Government are shortly going to take a final decision in the matter and the Department are actively considering giving 4G spectrum. The Committee are of the view that both BSNL and MTNL will lose the data market, if they are not given 4G services soon. To compete and survive in the telecom market, the Committee feel that 4G spectrum should be given to them at the earliest. The Committee hope that the assurance given by Hon'ble Minister in the House in this regard will be implemented in letter and spirit and proposal for allotment of spectrum with Government support will be given positive consideration.

### **Reply of the Government**

BSNL has submitted detailed project report (DPR) to this Department vide its D.O. No. 321-1/2010-RegIn/5611 on dated: 04-01-2018 for launching of 4G services in 2100 MHz band by acquiring additional 5MHz spectrum in 2100 MHz band preferably contiguous to its existing 5 MHz block in all its LSAs except Rajasthan and in Rajasthan with 5MHz in 800MHz through “equity infusion” route. BSNL has demanded Rs.6653 crore (upfront payment charges) as Government support.

MTNL has requested allotment of 10 MHz spectrum in 1800Mhz Band for Delhi and 5MHz spectrum in 2100Mhz Band for Mumbai for launch of 4G service in Delhi and Mumbai license area. For allotment of spectrum, MTNL seek 100% Government support to make the payment through equity infusion.

The proposal received from BSNL and MTNL are under examination in DoT.

(Ministry of Communications/Department of Telecommunications O.M. No. 16-3/2018-B dated 06. 08.2018)

### **Comments of the Committee (Please see Para No. 14 of Chapter I)**

#### **Revival of Indian Telephone Industries (ITI) Ltd.**

#### **(Recommendation Sl. No. 16)**

The Committee are happy to note that ITI has made profit for two consecutive years. The net profit for the year 2016-17 was Rs.305 crore as against Rs.251 crore of previous year and turnover of Rs.2000 crore for the year 2017-18 is expected to be achieved. The performance of the company signifies that it is already in a revival mode. The projected turnover for the year 2018-19 is Rs.3170 crore. The Committee note that the total order booking of ITI will be about Rs.10,000 crore by 31.03.2018. This is because recently ITI has got orders of Rs.840 crore for Smart Meters, Rs.8000 crore expected from ASCON project Phase-IV, and ITI being L-I in many tenders from which it is getting orders of about Rs.700-800 crore. All ITI units except Naini are making profit at the end of third quarter 2017-18. It is expected that Naini Unit will also become profitable during 2018-19. With regard to status of implementation of the ‘Revival Plan’, the Committee note that out of Rs.2264 crore approved for upgradation of infrastructure, ITI have so far implemented projects of Rs.272 crore and projects of Rs.200 crore will be implemented by 31.03.2018. Further, Rs.137 crore (RE 2017-18) and Rs.100 crore (BE 2018-19) has been considered in Budget

2018-19. The Committee note that some of the projects are under urgent need of upgradation and many projects of ITI have been affected due to non-upgradation. During 2018-19, an amount of Rs.555 crore has been proposed for implementation of various projects, however an amount of only Rs.100 crore has been allocated at BE. The Committee are of the view that the amount allocated so far *i.e.* Rs.709 crore is just 31.31 per cent of the amount approved by the Cabinet under the ITI Revival Plan for Capex. Considering that ITI is already in a revival path and is diversifying into high tech areas, the Committee are of the view that full allocation of funds as per the ITI Revival Plan should be implemented so that ITI can upgrade the necessary infrastructure to meet the huge demand for various products of ITI in the country. The Committee would also like to express the view that the main challenge of ITI now is to remain profitable by meeting future challenges. The Committee hope ITI would continue to keep pace with the changing times.

### **Reply of the Government**

In 2016-17, ITI made a turnover of Rs.1611 Crs. with a profit of Rs.305 Crs. considering grants given by Government of India. ITI's turnover has increased from Rs.620 Crs. in 2014-15 to Rs.1253 Crs. in 2015-16. ITI's turnover increased to Rs.1611 Crs in 2016-17. The Company is turning around and is in the path of revival. For the year 2017-18, the Company has posted a turnover of Rs.1701 Crs (Provisional) and a profit of Rs. 102 Crore without any grants, as per the unaudited results declared. ITI is having a carried over Order Book of about Rs.1900 Crs. as on 1<sup>st</sup> April 2018 and another Rs.12000 to Rs.13000 Crs. order are in the pipe lines as it has become L1 in many tenders like ASCON, Mahanet and other major Projects of BSNL. ITI has made a plan of achieving a turnover of about Rs.3000 Crs. plus for the year 2018-19. In view of huge order book on hand, all out efforts are being made to surpass the planned figure as mentioned.

The Naini Unit of ITI has posted a turnover of Rs.63 Crs (Provisional) during 2017-18 as compared to the turnover of Rs.8.25 Crs. during 2016-17 and is poised to post profit in the current year.

The CAPEX fund of Rs. 472 Crore provided by Government of India has been fully invested and the Projects have been implemented in all the Units of ITI. Further, the amount of Rs. 337 crore allotted during financial year 2017-18 has been utilized fully. Thus ITI has been allocated Rs.709 Crs. out of Rs.2264 Crs. CAPEX till date and ITI has made plans to utilize the balance amount for the various projects under Revival Plan.

As mentioned above, the Company is already in the revival mode earning profits and the Company is making all out efforts to improve turnover and profits in the years to come.

(Ministry of Communications/Department of Telecommunications O.M. No. 16-3/2018-B dated 06.08.2018)

**Comments of the Committee  
(Please see Para No. 17 of Chapter I)**

## CHAPTER V

### OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES ARE OF INTERIM IN NATURE

#### Telecom Testing and Security Certification Centre (TTSCC)

##### **(Recommendation Sl. No.9)**

The Committee note that a pilot project of Telecom Testing and Security Certification Centre (TTSCC) is being set up by the Department at Indian Institute of Science (IISc), Bangalore. It will function as a national test bed to facilitate formulation of standards and policies as well as provide facilities for security testing, validation and security certification. The Committee have been informed that team from DoT along with IISc has prepared the requirement of tools and test equipment and procurement action is in progress to synchronize with the completion of the infrastructure works by the BSNL. The project is expected to be completed by July, 2018. Under this project, till now there are no labs set up for security testing of telecom equipment. In view of this, manufacturers/vendors are getting telecom equipment tested from accredited labs from anywhere in world as per license amendment dated 13.05.2011. The Committee have been informed that initially the certification of the testing was to get done only from authorized and certified agencies/labs in India from 1<sup>st</sup> April, 2013. However, this was extended and now mandatory testing of every component of the telecom network elements will start from 1<sup>st</sup> October, 2018. An analysis of the utilization of funds indicates that during 2017-18, an amount of Rs.15 crore has been allocated at BE and RE and till February, 2018, an amount of Rs.6.6 crore has been utilized. This was mainly because the approval for project estimate was received on 15.12.2017. For the year 2018-19, an amount of Rs.27 crore has been allocated at BE. The Committee are of the view that there is an urgent need for early setting up of TTSCC in the country. Considering that there is a lack of sufficient expertise in the country and no country/agency shares the details, substantive efforts need to be made to develop in-house security standards. The Committee are of the view that there is a need for experts from different field in this area to share the knowledge and work together. The Committee also desire that no further extension of time beyond 1<sup>st</sup> October, 2018 for mandatory testing of telecom equipment should be made so as to both safeguard security as well to check indiscriminate import of network equipment from some of our neighbouring countries.

##### **Reply of the Government**

The pilot lab of TTSC is being set up at BSNL city exchange building with the help of IISc Bangalore. Presently, civil and electrical work is going on. The physical infrastructure of the test bed is expected to be ready by 31st July 2018. The security testing will commence from 1st Oct 2018 in phased manner with three network elements, viz. Router, WiFi modem and MME.

(Ministry of Communications/Department of Telecommunications O.M. No. 16-3/2018-B dated 06.08.2018)

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

### **Recommendation Sl. No.13**

The Committee note that MTNL is under severe debt burden. As on 31.12.2017, the outstanding debt of MTNL is Rs.16870.40 crore. The amount is exclusive of Rs.4533.97 crore where the liability of Interest and Principal for Refund of BWA spectrum is with the Government of India. With regard to revenue income and expenditure, during 2017-18, against the income target of Rs.2812.40 crore, upto December, 2017, MTNL has earned a total income of Rs.2456.41 crore and incurred an expenditure of Rs.4529.23 crore incurring total loss of Rs.2072.82 crore. The situation is unlikely to improve during 2018-19. As against the income target of Rs.2952.50 crore, the expected expenditure is Rs.6306.57 crore, with a total loss of Rs.3354.01 crore. The Committee also note that overall wireline and wireless market share of MTNL is also declining. The Committee have now been informed that due to large number of employees retiring every year, more than 3000 employees which is around 12 per cent of the total employees, staff cost will show a downward trend from FY 2017-18 onwards. It is also expected that allotment of 4G spectrum to MTNL against equity infusion will contain the negative growth in wireless and broadband segments in the coming years. The Committee also note that MTNL has engaged M/s Deloitte as Consultant for providing 'Advisory Services' for revival plan of MTNL. An Internal Committee of DoT is examining the report of the Consultant. The Committee observe that MTNL is in dire state, and the assistances given by the Government so far are proving to be far too inadequate. The Committee are of the view that revival plan of MTNL needs to be executed at the earliest as delay in the process is only leading to further sliding of the revenues. The Committee strongly recommend that an Internal Committee of DoT should expedite examining the recommendations of the Consultant on revival of MTNL. The Committee desire that revival plan in the line of ITI Ltd. may be worked out and implemented in the case of MTNL also. The ultimate goal of revival of MTNL should not be delayed any further.

### **Reply of the Government**

Recommendation of the Committee has been noted. Final report of the Consultant has been received in the June, 2018 only which is now being examined by the internal Committee in DoT.

(Ministry of Communications/Department of Telecommunications O.M. No. 16-3/2018-B dated 06.08.2018)



## **VRS to MTNL Employees**

### **Recommendation Sl. No.14**

The Committee note that the proposal for giving VRS to MTNL employees has been pending for a long time. Since MTNL is incurring more than 76.75 per cent of the revenue on staff cost as opposed to 4 to 6 per cent by private sector, the Committee are of the view that revival of MTNL will involve significant reduction in staff cost. Granting of VRS to 5312 employees *i.e.* 20 per cent of the staff retiring in next 10 years is expected to reduce staffcost by 20 per cent thus improving negative cash flow. Considering that the proposal for granting of VRS to 20 per cent has been recommended by Telecom Commission itself, the Committee recommend that the Government should consider the proposal at the earliest so as to improve the financial health of the company.

### **Reply of the Government**

The VRS proposal submitted by MTNL is under examination in DoT.

(Ministry of Communications/Department of Telecommunications O.M. No. 16-3/2018-B dated 06.08.2018)

**New Delhi;**  
**28 December, 2018**  
**07Pausha, 1940 (Saka)**

**ANURAG SINGH THAKUR,**  
**Chairperson,**  
**Standing Committee on**  
**Information Technology.**

**MINUTES OF THE FIFTH SITTING OF THE STANDING COMMITTEE ON  
INFORMATION TECHNOLOGY (2018-19) HELD ON 28<sup>TH</sup> DECEMBER, 2018**

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The Committee sat on Thursday, the 28<sup>th</sup> December, 2018 from 1015 hours to 1040 hours in Committee Room No. '62', Parliament House, New Delhi.

**PRESENT**

**Shri Anurag Singh Thakur – Chairperson**

**MEMBERS**

***Lok Sabha***

2. Shri L. K. Advani
3. Shri Shyama Charan Gupta
4. Dr. Sunil Baliram Gaikwad
5. Shri Virender Kashyap
6. Dr. K. C. Patel
7. Shri D. K. Suresh
8. Shri Nagendra Pratap Singh Patel

***Rajya Sabha***

9. Smt. Kahkashan Perween
10. Dr. Vinay P. Sahasrabuddhe
11. Shri Binoy Viswam

**SECRETARIAT**

- |    |                       |   |                     |
|----|-----------------------|---|---------------------|
| 1. | Shri Y.M. Kandpal     | - | Director            |
| 2. | Dr. Sagarika Dash     | - | Additional Director |
| 3. | Smt. Geeta Parmar     | - | Deputy Secretary    |
| 4. | Shri Shangreiso Zimik | - | Under Secretary     |

2. At the outset, the Chairperson welcomed the Members to the Sitting of the Committee convened to consider and adopt the following four Draft Action Taken Reports:-

- I. Action Taken Report on the Forty-seventh Report on 'Demands for Grants (2018-19)' of the Department of Telecommunications;
- II. xxxxx.....xxxxx.....xxxx.....xxxxx.....xxxxx.....xxxx.....xxxxx.....xxxxx.....xxxx.....xxxxx;
- III. xxxxx.....xxxxx.....xxxx.....xxxxx.....xxxxx.....xxxx.....xxxxx.....xxxxx.....xxxx.....xxxxx; and
- IV. xxxxx.....xxxxx.....xxxx.....xxxxx.....xxxxx.....xxxx.....xxxxx.....xxxxx.....xxxx.....xxxxx.

3. The Committee, thereafter, took up for consideration the above said Reports and after due deliberation adopted the same without any modifications.

4. The Committee, then, authorised the Chairperson to finalise and present the Action Taken Reports to the House during the current session of Parliament.

**The Committee, then, adjourned**

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xxxxx....Matters not related to Report.

**ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/  
RECOMMENDATIONS CONTAINED IN THEIR FORTY-SEVENTH REPORT**

**(SIXTEENTH LOK SABHA)**

**[Vide Paragraph No. 5 of Introduction]**

(i)	Observations/Recommendations which have been accepted by the Government Rec. Sl. Nos.:- 1, 2, 3, 4, 5, 7, 8, 10, 12 and 17	Total 10 Percentage 58.83
(ii)	Observations/Recommendations which the Committee do not desire to pursue in view of the replies of the Government Rec. Sl. No.: Nil	Total Nil Percentage 0.00
(iii)	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and require reiteration Rec. Sl. Nos.:- 6, 11, 15 and 16	Total 04 Percentage 23.53
(iv)	Observations/Recommendations in respect of which the replies of the Government are of interim in nature Rec. Sl. Nos.:- 9, 13 and 14	Total 03 Percentage 17.64