

telephones are there in the waiting list in Kerala and only three lakhs connections will be given this year. Sir, the present system is primitive one because the Department takes the planned development on the basis of waiting list. My suggestion is that the hon. Minister can give instructions to the Department so that the development takes place on the basis of projections. Wherever necessity arises, it all depends on the waiting list now. The person who had registered himself for a telephone connection, may have to wait for three to four years or even more.

MR. SPEAKER : Shri A.C. Jos, please come to your supplementary.

SHRI A.C. JOS : My question is whether the Department will undertake their expansion and development on the basis of scientific projection of each area's necessity.

SHRIMATI SUSHMA SWARAJ : I would like to tell the hon. Member that the planning is not done on the basis of waiting list, planning is done on the basis of projection. We have undertaken a programme of expansion in Kerala. We are trying all upgraded technologies in Kerala. We are also trying even the WILL Scheme. A pilot project has been sanctioned in Kerala for that. The hon. Member must be assured on that count that we are not doing that only on the basis of demand, but we are really doing it on the basis of projections.

Cellular Mobile Services

*62. SHRI V.V. RAGHAVAN : Will the Minister of COMMUNICATIONS be pleased to state :

(a) whether the lapses committed by the Department of Telecom (DOT) causing a loss of Rs. 837 crore while giving out licences to eight private companies for operating cellular mobile services in the four metros of Delhi, Mumbai, Calcutta and Chennai were detected by the Comptroller and Auditor General (CAG); and

(b) if so, the details thereof and the action proposed to be taken by the Government against the culprits?

THE MINISTER OF INFORMATION AND BROADCASTING AND MINISTER OF COMMUNICATIONS (SHRIMATI SUSHMA SWARAJ) : (a) A modified Draft Audit Para (DAP) was received by the Department of Telecom. (DOT) in January, 1998 in which a case has been made out of a notional loss of Rs. 487.86 crores on account of defective fixation of licence fee for the eight licences granted to the private operators for the four metro cities.

(b) A summary of the modified draft audit para is given at para 1 of the statement enclosed. At para 2, the reasons for fixing the licence fee based on the projected demand in 1992, and the call charges prevailing then are indicated. The matter is still under correspondence with the Audit.

Statement

1. MODIFIED DRAFT AUDIT PARA RECEIVED IN JANUARY, 1998.

The contention of the D.G. (Audit) in the draft audit para captioned "Under benefit of Rs. 487.36 crores to metro cellular operators" are summed up as below :

"DOT did not make realistic projection of demand for cellular mobile telephone services in four metros and fixed annual lumpsum licence fee for first three years on the basis of grossly under stated projections of demand made by one of the bidders. It also failed to incorporate suitable provisions in the licence agreement for charging higher licence fee if the actual demand was more than the projections for first three years. This unduly benefited cellular mobile telephone operators in four metros by more than Rs. 354.47 crores in fixation of licence fee. DoT also gave benefit rate but not enhancing the lumpsum licence fee accordingly."

2. The contention of D.G. (Audit) as made out in para (1) above, are not acceptable to DoT for the following reasons :—

- (i) The Cellular Mobile Telephone Service (CMTs) based of GSM standards which was proposed to be started in four metros of the country in early 90s was a new service even by global standards. There was no historical data based on which accurate demand projections could be made. At best, a rough estimate of the number of subscribers and traffic in terms of air time generated by them, could be made for fixing the licence fee. The Government was keen to liberalise the telecom sector with a view to attracting foreign direct investment as well as capital from the domestic markets in the cellular business. Therefore, the DoT did not have the time available to carry out the detailed market research its growth rate, the traffic volume, etc. very accurately to fix the licence fee. Some inaccuracies are inevitable in such a scenario and it should be considered as part of normal business risk.
- (ii) The objective of the Government was to promote this new business which was considered to be very attractive from the foreign investment angle. Fixing a very high licence fee in the initial years would have inhibited the market demand which in turn would result in loss of revenue in terms of traffic volume. The cellular market is highly price elastic. Therefore, for the first three years, a predetermined fixed amount was charged for the first, second and third year. For the remaining seven years, however, the

licence fee is to be computed based on actual subscriber numbers. Another reason for charging predetermined fixed amount for first three years, was to remove any uncertainty in the country. As soon as the market gained enough stability, the period of which was estimated to be three years, the licence fee is to be based on actual number of subscribers.

- (iii) The estimated loss of Rs. 467. 36 crores is purely notional. Even if the point about low licence fee is conceded, since cellular market is highly price elastic, the low licence fee no doubt resulted in private operators offering an affordable service to the customer, thereby stimulating demand as well as greater usage of the cellular service. The greater volume of traffic generated generally passes through DoT network. This additional volume of traffic between the cellular for the DoT as DoT network, would result in additional revenues for the DoT as the private operator is required to pay to the DoT for the calls terminating in the DoT network. If this additional revenue taken into account, the notional loss may turn out to be non-existent. Experience in other Circles have shown that a high licence fee invariably inhibits the market resulting in low customer base. Lower volume of traffic means lesser revenue for both the private operator and the DoT, thereby affecting the health of the industry adversely.

SHRI V.V. RAGHAVAN (Trichur) : The answer and the explanatory note attached to it are a clear example as to how the DoT tries to shield the officials responsible for the lapse. The licence fee should have been linked to the actual number of subscribers. That is the easiest method. The DoT has control over them. But the DoT did not do that. Instead, they fixed licence fee on the assumption of subscribers, with the result, the actual number turned out to be five time higher than the DoT assumption.

Again, the companies increased the subscription tariff from Rs. 1.10 for ten seconds to Rs. 1.40 for ten seconds, an increase of 27 per cent, but the corresponding revision in the licence fee has not been made.

MR. SPEAKER : Please come to the question.

SHRI V.V. RAGHAVAN : This is a part of my question, Sir.

The corresponding increase must have been made in the licence fee also. There is a lapse on the part of the officials of the DoT. Would the hon. Minister go into it personally and examine as to who are actually responsible for the lapse? Dr. Murli Manohar Joshi is sitting there. He knows that they do not even care to examine the audit objections seriously. They do not even care to examine the Public Accounts Committee's

reports. Ask Dr. Murli Manohar Joshi because he has umpteen number of examples from the DoT.

[Translation]

SHRIMATI SUSHMA SWARAJ : Mr. Speaker, Sir, first of all, I would like to assure the hon'ble Member Shri Raghavan that we are not replying here to save the skin of any officer of Department of Telecommunication. As far as licence fee is concerned, I would like to inform the House through you that cellular Mobile phone was being introduced first time in India at the time of fixing of licence fee. It was, therefore, thought whether there will be demand of cellular phone or not. If we want to bring revolution in the field of telecommunication and also want to introduce cellular phone, then while fixing the licence fee for the initial ten years, it may be done in such a manner that for the first three years some amount may be fixed and for the subsequent three years licence fee may be linked with the customer number. Initially, due to the fixed licence fee cellular operators will come forward and the demand will be created in the market. Later on, after three years, a fixed amount of 5 or 6 thousand as decided by the department will be charged from the customer as Licence fee. The decision of fixing lower licence fee for the initial three years has been taken to create a new demand in the field of cellulars. There is an audit para on this issue. I would like to tell Shri Raghavan that Department cannot adopt an indifferent attitude towards the audit para and if it does so, it will be wrong on the part of the Department. I would like to assure the House on my behalf that the para is still a draft audit para. The details of the draft audit para which I have given in the House has already been sent to the Comptroller and Auditor General and the reply is still awaited. If C.A.G. accepts our reply, then the draft audit para, will be dropped and if it is not dropped then the responsibility will be fixed. Proper action will be taken but still it is nor an audit para it is only a draft audit para. Whatever information has been placed in the House has also been sent to C.A.G.

[English]

SHRI V.V. RAGHAVAN (Trichur) : Sir, I am very glad that Sushma Swaraj has taken the additional charge of Ministry of Communications. My request is that please spare more time to this Department. There exists an unhealthy tussle between the Telecom Regulatory Authority of India and DoT. It has reached and ugly stage. The tussle is going on. Please try to intervene and end this tussle as soon as possible.

[Translation]

SHRIMATI SUSHMA SWARAJ : Mr. Speaker, Sir, first of all, I may tell you that the Hon'ble Member should not worry that due to the information and Broadcasting Ministry, my attention will be diverted from telecommunication. I will reply to whatever you ask. You have asked about T.R.A.I. Although this question is not

at all related but just to make you aware of my hold over the ministry of telecommunication, I can tell the Hon'ble Member that there is no tussle between Telecom Regulatory Authority of India and Department of Telecommunication. The discussion between the two is on the interpretation whether Government is working under T.R.A.I. as a licenser or as a service provider. We have moved the court on this subject. Hearings have been completed in the High Court and judgement has been reserved.

Since the Government and Telecom Regulatory Authority of India cannot decide its interpretation among themselves. Licenser is also under their control. The Court had given its judgement and, therefore, out of court settlement is also not possible by intervention. Therefore, we have referred this matter of giving interpretation to the High Court. There is no other dispute. The dispute is only regarding interpretation. This dispute will come to an end when we receive interpretation from the High Court. Hence you should not worry that being a Minister of Information and Broadcasting, I am not paying any attention towards telecommunication.

[English]

SHRI VARKALA RADHAKRISHNAN (Chirayinkil) : Sir, the modified draft audit para mentions of "grossly understated projections of demand made by one of the bidders". Who is responsible for this?

There is a provision in the agreement that the fee cannot be increased for the first three years. The draft audit para says: "It also failed to incorporate suitable provisions in the licence agreement for charging higher licence fee if the actual demand as more than the projections for the first three years. This has resulted in a huge loss to the Department".

I would like to request the hon. Minister to look into these two aspects. Based on the draft audit para, the Department can fix up the responsibility.

[Translation]

SHRIMATI SUSHMA SWARAJ : Mr. Speaker, Sir, the Question which is raised by Hon'ble Member is the same as raised in draft audit para. He has not raised any new point and I had given its reply in the beginning. In the beginning we did not know the exact demand. It is true that demand is more as compared to estimated demand. Hence today you can use this word that we had under-projected it and under estimated the demand. Later on it appeared that we have under estimated the demand but as far as the question of increasing the fee is concerned, we have made provision to increase fee after 3 years. We were deciding to fix licence fee for ten years and not for three years. We have not made any provision to increase fee within 3 years. While deciding Licence Fee for 10 years in which a provision was made to link these services with customers after 3 years

because during this period of three years, demand will stabilize. Audit para was made for that only and the reply which I have given here, has already been sent in writing. Let the reply come, only then liability can be fixed. Responsibility can be fixed only when audit para appears finally. At present only draft para has been prepared. C.A.G. has not yet prepared audit para. If C.A.G. is satisfied with our reply, the para will be dropped. Otherwise para will be drafted and after that the question of fixing responsibility will arise. Right now, it is not opportune moment to fix responsibility.

SHRI HARIN PATHAK : Mr. Speaker, Sir, Cellular Services are being made available on large scale in the country for the past 2 years. As far as question of Department of Telecommunication and Government is concerned, they are paid their fees. The foreign companies or indigenous companies charge higher fees for the services which they provide to cellular telephone holders. Sometimes they even charge Rs. 8/- or Rs. 16/- per minute. By paying licence fee to government two companies started their work in different metro cities. I would like to know whether they have been provided with necessary equipment or not in those metro cities?

[English]

May I know whether they have already installed necessary equipment in different cities and metro cities so that they can provide better services to the cellular phone holders. If they have not done so, then I would like to know whether the Government or the Department has any control over those companies, in case such companies fail to provide better services to the cellular phone holders. If the Government do not have any such control, then the sufferers will be the cellular phone holders who pay very heavy price. I am one of the persons who live in Ahmedabad City and who has a cellular phone also. My residential area is hardly three kilometres. From the town or the central area, but still I am not getting better facilities.

So, my specific question is whether the Department has any control over those companies in case they do not have proper installation of equipment or they do not provide better services.

[Translation]

SHRIMATI SUSHMA SWARAJ : Mr. Speaker, Sir, hon'ble Member has raised two questions—one relates to higher charges and the other relates to the service. He has also asked whether Government has any control over these companies or not. As regards the first question, as it involves capping they cannot charge more than this but if someone wants to charge less, he can do so. As far as the question of government control is concerned, I would like to tell the hon'ble Member that there exists competition in the market and it is the market force which decides as to which service provider will stay in the market. Government cannot decide this

by way of control. For this purpose in every circle two parties were employed, competition is going on and if customer is satisfied with the service he will keep the cellular otherwise he will return it and if he is satisfied with the service of the other, then he will use that. It is correct that such complaints are received and government certainly pays attention to them. In privatisation, it is the competition and not control which decides as to which service provider will stay in the market and who will quit.

[English]

SHRI PRITHVIRAJ D. CHAVAN (Karad) : Let me first come back to the Audit Para and the draft reply of the Government. There are two main issues. The first is the low tariff which was fixed at the bidding by one of the bidders. It is a very serious charge. Before the Audit Paras get finalised, the Government should have looked into the charge as to whether on particular bidder had influenced a low demand projection. That is the first charge in the Audit Para.

The second charge is that when the call rates were increased, the cellular phone providers got much more revenue. At that time also, there was no question about changing the licence fee. The Government should have seriously looked into that.

My question is whether the Government will allow MTNL or any other public sector company to enter the cellular phone field. Right now, they are not allowed to do it but the MTNL wants to enter into it. I would like to know whether the Government will allow it.

[Translation]

SHRIMATI SUSHMA SWARAJ : Sir, let me reply to your second question as to whether MTNL will enter the field of cellular phone or not. This matter is already pending in the Court. The question of TRAI is related with this and the judgement of the court is awaited. The arguments or hearing in the case are over and MTNL wants to enter the field of cellular phone. There is a stay in this case and this matter is pending in the court. After judgement, this matter will be decided. This matter is also under consideration of the C.A.G. The issue regarding bidders was also raised and projection was given that only 4000 people will opt for cellular. In the light of these things, demand was projected and decision was taken. In the remaining tenders also the demands of other people were reflected. Only when we know whether one or more bidders had influenced the decision, what was the position of remaining tenders because their number was 100 and whether the projections of other tenders were equal or more than that only then the reply of these things can be given.

[English]

SHRI P.C. THOMAS (Muvattupuzha) : The long answer of the hon. Minister is good enough but we find

that the estimated loss of Rs. 467.36 crore is found to be purely notional. I would say that this is a very serious aspect in which several multinationals as well as other private companies were involved. There has been at least an attempt of embezzlement of funds in this case. This has to be taken very serious note of. We all know that the ruling party who were on this side had wasted almost a month of the Session just on this matter where a bigwig or a heavyweight—who is unfortunately very close to the Government now—was involved in a very serious crime.

MR. SPEAKER : You please put your supplementary.

SHRI P.C. THOMAS : He is yet to be chargesheeted and further inquired into. I think when this is the case and when the DoT is short of funds, as you have said in the previous answer, you are not in a position to keep pace with the demands as far as DoT is concerned. So, I would say that the embezzlement or the taking away or the misaccounting of Rs. 467.36 crore has to be taken very seriously and some action has to be taken. I would like to know through the hon. Speaker whether, in particular case, the Government would be pleased to appoint a Committee of Parliament to go into whole question of embezzlement of funds in the cases concerning the DoT, and also the cases concerning the one which I had already mentioned, to have a proper inquiry into the matter so that the truth can be found out, the guilty can be punished, and proper service can be provided to the people.

[Translation]

SHRIMATI SUSHMA SWARAJ : Mr. Speaker, Sir, let me first assure the hon'ble Member that we are not taking this case lightly rather we are taking it with as much seriousness as you have raised this question. Secondly as regards the embezzlement of funds which you have mentioned, that case was already pending in court, it is sub-judice and, hence, I do not want to make any comment on that. As regards the third point which you have raised, we have deliberately used the word notional because by multiplying the total customers with 5000 we find that there is a loss of Rs. 467 crore whereas there are many other things also which should be accounted for. For example, the charges of air time. At that time we did not know that instead of 4000, 22000 people would subscribe to cellular service. It is true that 22,000 people opted for cellular but at that time it being a new thing and the market also being new, we were not sure whether it would look attractive or not and, hence, we projected certain demand which proved to be under demand later on. That is why we used the word 'notional'. As I have said C.A.G. which is a constitutional authority is considering the matter. Therefore, it does not seem to me that there is a need to constitute parliamentary committee for this purpose. Let the reply come from C.A.G., after that action will be taken on this.