

### 8.3.2 TELECOMMUNICATIONS

6. Telecommunications is a critical part of infrastructure. It is becoming increasingly important keeping in view the trend of globalisation and the shift to a knowledge based economy. Technological change in telecommunication has been especially rapid and is expected to lead to major changes in the structure of the industry world wide. Convergence between telecom and broadcasting has added a new dimension which needs to be taken into account.

7. The telecom sector in India has been witnessing a continuous process of reforms since 1991. The New Telecom Policy (NTP) announced in 1999 modified the NTP, 1994 to take into account far reaching technological developments taking place in the telecom sector globally and to implement the Government's resolve to make India a global IT superpower. NTP, 1999 also seeks to solve implementation problem arising out of NTP, 1994. The objectives of the NTP 1999 are to:

- Make available affordable and effective communications for the citizens.
- Strive to provide a balance between the provision of universal service to all uncovered areas, including the rural areas and the provision of high-level services capable of meeting the needs of the country's economy.
- Encourage development of telecommunication facilities in remote, hilly and tribal areas of the country.
- Create a modern and efficient telecommunications infrastructure taking into account the convergence of IT, media, telecom and consumer electronics and thereby propel India into becoming an IT superpower.
- Convert PCOs, wherever justified, into Public Teleinfo centres having multimedia capability like ISDN services, remote database access, government and community information systems etc.
- Transform in a time bound manner, the telecommunications sector to a greater competitive environment in both urban and rural areas providing equal opportunities and level playing field for all players.
- Strengthen research and development efforts in the country and provide an impetus to build world-class manufacturing capabilities.
- Achieve efficiency and transparency in spectrum management.
- Protect defence and security interests of the country.
- Enable Indian telecom companies to become truly global players.

#### Review of Annual Plan 1999-2000

8. For the Annual Plan 1999-2000, an outlay of Rs.16801.27 crore was earmarked for the telecom sector i.e. Department of Telecom and its allied Public Sector Undertakings (PSUs). This represented a step-up of 12.9 per cent over the previous year. Keeping in line with Ninth Plan policy of restricting budget support only for the regulatory bodies, the entire outlay was to be financed out of internal and extra budgetary resources (IEBR). A budget support of Rs.8.10 crore was approved for financing the Plan outlay of the Wireless Monitoring Organisation (WMO).

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9. The likely expenditure during 1999-2000 is estimated to be Rs.14896.16 crore as per the RE. This represents a shortfall of 11.34 per cent as compared to the approved outlay. The shortfall in utilisation of the approved outlay is basically accounted for by Mahanagar Telephone Nigam Limited (MTNL) and Videsh Sanchar Nigam Limited (VSNL). The utilisation is estimated to be only 42 per cent in case of MTNL as some of their major schemes like cellular services etc. got delayed.

10. As regards achievement of physical targets, the performance has been satisfactory except for the Village Public Telephones (VPTs). In fact the achievement for all major items has been higher than the targets fixed for the year. Against a target of providing 45.50 lakh new connections, the public sector (DOT & MTNL) provided 49.18 lakh new connections. The details of targets and achievements may be seen in Annexure 8.3.3. The non-availability of appropriate technology has been basically responsible for the shortfall in the achievement of target for VPTs.

11. Though basic services were opened to private sector participation in 1994, it failed to take off as desired. Six companies in the private sector were issued licences to provide services. As per the roll-out Plan, these companies were expected to provide 20.18 lakh Direct Exchange Lines (DELS) over a three period starting from September, 1997. No company could start the services on schedule. As on date, only three companies are providing services. These are Bharati Telenet in Madhya Pradesh, Hughes Ispat in Maharashtra and Tata Teleservices in Andhra Pradesh. While the first two commenced services in 1998, the third one started providing services in 1999. Till date (31<sup>st</sup> March, 2000), only 1.42 lakh connections have been provided by the private sector. Bulk of the network expansion by these companies was during 1999-2000. The details in this regard are given in the Table 8.3.1.2.

**TABLE 8.3.1.2**

Name of Company	State	Date of launching Service	Telephones provided		
			1998-99	1999-2000	Total
Bharati Telenet	Madhya Pradesh	4.6.98	13980	77987	91967
Hughes Ispat	Maharashtra	30.10.98	5217	17196	22913
Tata Teleservices	Andhra Pradesh	31.3.99	-	26713	26713
<b>Total</b>			<b>19697</b>	<b>121896</b>	<b>141593</b>

### **Annual Plan 2000-01**

12. An outlay of Rs.19441.67 crore has been approved for the Annual Plan 2000-01. This represents a step-up of about 15.71 per cent above the last year's outlay (BE). It is to be financed basically through internal and extra budgetary resources; internal resources constituting 88.55 per cent of the total outlay. A budget support of Rs.17 crore has been provided for financing the Plan outlay of the regulatory bodies i.e. Wireless and Planning Coordination (WPC) Wing of the Ministry of Communications and Telecom Regulatory

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Authority of India (TRAI). The increase in the budget support for the regulatory bodies has been necessitated by the requirement of funds for the World Bank assisted projects of WPC and TRAI. The organisation-wise break-up of the approved outlay and financing pattern may be seen in the Annexure 8.3.4. The physical targets include among other things, 72.35 lakh net lines of switching capacity, 57.90 lakh new telephone connections, 5.15 lakh lines of TAX capacity 1 lakh Rkms of Optical Fibre System, 1,00,000 VPTs etc. The details may be seen in Annexure 8.3.3.

### *Department Of Telecom Services*

13. During 2000-01, the Department plans to provide 51.56 lakh new connections, 1 lakh additional VPTs, 4 lakh additional TAX lines and laying optical fibre of 1 lakh route kms. As a result of enhanced target of DELs, waiting list in Calcutta and Chennai is expected to be eliminated and telephones may be available on demand. In order to implement these and other targets/programmes, an outlay of Rs.16000 crore has been approved for DTS. It is envisaged to be financed by internal resources of Rs.13848 crore and market borrowings of Rs.2152 crore.

### *Wireless Monitoring Organisation (WMO)*

14. WMO is a field organisation of WPC Wing of Ministry of Communications. An outlay of Rs.15 crore has been approved for the year 2000-01 – Rs.10 crore for WMO and Rs.5 crore for WPC. The entire outlay of WMO is financed through budget support. The targets for the year apart from completion of continuing schemes, include upgradation of direction finding systems and upgradation of training centres. National Spectrum Management is a major priority area of WPC. Budgetary support is being provided to WPC Wing for the first time in the Ninth Plan in order to implement the World Bank assisted programme of modernisation.

### *Mahanagar Telephone Nigam Ltd. (MTNL)*

15. MTNL is providing telecom services in the two metros of Delhi and Mumbai. Telephones are virtually available on demand in the two cities. Keeping the slow growth in demand, a target of providing 4.40 lakh new connections has been fixed for the year 2000-01. To care of the increased long distance transmission requirements, additional 1.15 TAX lines are expected to be added to the network during 2000-01. As per the Plan drawn up by the company, emphasis during the year would be on modernisation of equipment and implementation of schemes aimed at providing new and value added services. To finance the various programmes of the Corporation, an outlay of Rs.2155 crore has been approved for the Annual Plan 2000-01. This is to be financed entirely out of internal resources.

### *Videsh Sanchar Nigam Ltd. (VSNL)*

16. The approved outlay of VSNL for the year 2000-01 has been fixed at Rs.1163.34 crore. It is envisaged to be financed entirely out of internal resources. In the field of transmission, the major projects envisaged for implementation include SEA-ME-WE-3 and Bombay-Arvi Microwave link and Earth Stations at Hyderabad etc. The other schemes of the Company include Gateway Digital Switching Expansion, Packet Switching System

Augmentation and Additional International Gateways at Jalandhar, Ernakulam, Gandhinagar and Kanpur and establishment of ATM and International Super-highway Gateway nodes at Mumbai, New Delhi, Chennai, Calcutta and Bangalore etc.

### *ITI Ltd.*

17. ITI Ltd. is the largest telecom equipment manufacturing company in the country. The company has been able to achieve a turn around during 1999-2000 recording a net profit of Rs.40 crore. As per the Plans drawn out by the Company, completion of the on-going technology upgradation schemes would be a priority area. The new projects envisaged to be taken up during the year include Wireless in Local Loop (WILL), HDSL and ASCON Maintenance. For implementing the various projects/schemes of the Company, an outlay of Rs.90 crore has been approved for the Annual Plan 2000-01. This is to be financed through internal resources of Rs.35 crore and market borrowings (bonds) of Rs.55 crore.

### *HTL Ltd.*

18. For the Annual Plan 2000-01, an outlay of Rs.16.33 crore has been approved for the Company. It is envisaged to be financed through internal resources of Rs.14.39 crore and Rs.1.94 crore raised through 'other' means. The main production activities of the Company include C-DOT switching equipment, Main Distribution Frames, EWSD equipment etc.

### *Special Focus Areas*

19. Development of North Eastern Region of the country has been receiving special attention in view of the strategic location and general backwardness of the area. To accelerate the pace of economic development of the region, it is envisaged to strengthen the telecom network by adding 131000 lines of switching capacity, providing 116000 DELs and 8016 VPTs during 2000-01 among other things.

20. With a view to give a fillip to the economic development and growth in tribal and hilly areas and their integration into mainstream of national life, the Ninth Plan has laid special emphasis on accelerated development of telecom facilities in such areas. The telecom network is envisaged to be further strengthened during 2000-01 by adding 336200 lines of switching capacity, 274600 DELs, 10000 VPTs and 72 Satellite stations with an outlay of Rs.1240 crore.

21. Under the NCR Plan, all areas/cities excluding Delhi are envisaged to receive special attention during the Ninth Plan. All efforts are being made to improve telecom facilities of NCR and to introduce various value added services in order to make it at par with Delhi. Telephone on demand is envisaged to achieve during the Ninth Five Year Plan. During the Annual Plan 2000-01, about 1.11 lakh new connections are expected to be provided.

22. Rural connectivity is another important focus area. As per NTP, 1999, all the remaining villages in the country are to be covered by the year 2002. Keeping this in view, an enhanced target of providing 1 lakh additional DELs has been fixed for the Annual Plan 2000-01.

### **Policy Issues**

### *Opening of National Long Distance Operations*

23. The New Telecom Policy (NTP), 1999 has laid down that the national long distance service beyond service area will be opened up to the private operators for competition with effect from 01.01.2000. The Telecom Regulatory Authority (TRAI) has given its recommendations on the subject in December, 1999. The main thrust of the TRAI recommendations is to build a free and perfect competition in the long distance operations. The major recommendations are given in the Box 8.3.2.1 below:

#### **BOX 8.3.2.1 Recommendations of TRAI**

- Licences only at the national level.
- One-time entry fee of Rs.500 crore - Rs.400 crore to be refunded once the roll-out Plan is completed.
- Combined networth of National Long Distance Operators (NLDOs)/promoters to be more than Rs.2500 crore.
- Five per cent of the gross revenue to be paid to Government as licence fee.
- Existing access providers eligible to become NLDOs. NLDOs to be allowed to carry intra-circle traffic.
- NLDOs to contribute to Universal Access Levy.

24. The Government is yet to take a view on these matters and issue the guidelines for the operators. It is important to recognise that in order to build a competitive telecommunications industry, it must be ensured that the entry conditions are non-restrictive and encourage competition.

### *Corporatisation Of DOT*

25. Complete separation of policy making function of the Government from the service provision function has to be affected to ensure free and fair competition and a level playing field in the telecom service sector. The Ninth Plan had emphasised this as one of the major reforms needed to be carried out in a time bound manner. The NTP, 1999 has established a target of corporatisation of DOT by 2001. There are indications that the date may be advanced. The progress in this regard needs to be monitored tightly and milestones worked out so as to ensure that corporatisation is achieved on schedule.

### *Rural Connectivity/Village Public Telephones (VPTs)*

26. The pace of implementation of the programme has been quite slow. The three major areas of concern are:

- (i) High cost of providing VPTs.
- (ii) Low revenue returns and high subsidy.
- (iii) Maintenance.
- (iv) Use of newer and cost effective technologies.