

## Chapter 5 – Conclusion and Recommendations

DTH services were introduced in India in November 2000. Recognising the heavy demand of communication satellites for rendering the service, Government of India approved a broader SATCOM policy by introducing an 'open sky' concept that allowed both Indian and foreign satellites to be used in DTH services with the condition that Indian Satellite would get preferential treatment.

Allocation of satellite capacity for DTH services came with the challenges of not only meeting the bulk requirement for satellites but also maintaining a continuous and permanent presence of the satellite at the same position in the sky. Being a satellite builder and research and development agency, it was a major opportunity for DOS not only to exploit its research efforts in establishment of indigenous satellite communication technologies for the DTH sector but also to generate revenue for the country. The 'open sky' policy also posed the challenge on DOS of maintaining the scarce and valuable orbital slots in the Indian skies.

DOS could not realise the planned/committed satellite capacity due to delayed satellite launches, power problems in the existing satellites, allocation of capacity for other purposes, etc. As a result, satellite capacity was arranged from foreign satellites for DTH services. Greater dependence on foreign satellites for Ku band transponders for DTH services eventually led to their dominance over Indian sky, to the extent that of the 76 Ku band transponders in use as of 2013, 57 were on foreign satellites and only 19 were on the INSAT system. The number of INSAT Ku band transponders for DTH services was expected to reduce further to only seven, as one of the DTH service providers viz. Tata Sky had also decided to move to foreign satellite system. By Department's own estimate, the future demand of Ku band transponders was also planned to be met entirely from foreign satellites.

Failure to realise the satellites for Ku band transponders as planned also resulted in a situation where foreign satellites had occupied five orbital slots above Indian sky, thereby putting India at a disadvantage in maintaining its own INSAT fleet. DOS did not consider procured launches or hiring satellites to reduce the demand supply imbalance of Ku band transponder despite having sufficient funds. Instead, large amount ranging between ₹792 crore and ₹2,809 crore were surrendered annually during the last five years.

In addition, satellite capacities created by DOS remained idle. The communication satellites GSAT 8 and GSAT 10 which were planned for DTH service remained idle for seven to ten

months. While GSAT 8 was eventually allocated for non DTH purpose, capacity on GSAT 10 was not allocated due to special terms of first right of refusal over the orbital slot extended to Tata Sky.

The arrangement of foreign satellite capacity to Indian DTH industry was envisaged to be a short term measure to ensure that the service could be brought back to INSAT system as and when Indian satellite capacity was available. For the purpose, DOS and Antrix entered into back to back agreements with the DTH service providers and foreign satellite owners respectively so that foreign satellite capacity was arranged for the Indian DTH service providers for a short period. However, this arrangement was unsuccessful due to inherent issues in migration of satellite capacity such as substantial migration expenses for the DTH service provider and inconvenience to the millions of customers in re-orienting their TV dish antennas. Inability of DOS to provide satellite capacity from its own system created a trust deficit, due to which most of the DTH service providers such as Reliance, Videocon, Sun DTH and Airtel moved to foreign satellites. Tata Sky, the major non Government DTH service provider in the INSAT system had also decided to move to a foreign satellite for a long term engagement. Thus, in spite of being aware of the risks in the 'open sky' policy of allocation of satellite capacity, DOS failed to take adequate measures to protect the interest of the country and exploit the commercial opportunity.

Allocation of satellite capacity for DTH service was to be done in accordance with the SATCOM policy, which stipulated that ICC was to earmark a certain percentage of the capacity in the INSAT system for non-government users and evolve a procedure for allocation of satellite capacity to the users. Once the capacity was earmarked by ICC, allocation of the satellite capacity was to be done by DOS in a transparent manner, which could be any equitable method such as auction, good faith, negotiation or first come-first served. Audit observed that ICC was not convened for nearly seven years between June 2004 and July 2011. In the meantime, three satellites were launched, in which capacity was allocated to DTH service providers directly by DOS without an ICC approved procedure.

Audit observed that Tata Sky was allocated satellite capacity on INSAT 4A out of turn, though Doordarshan was first in the order of precedence. Tata Sky was also granted exclusive rights over India's prime orbital slot of 83° east, which was in violation of SATCOM policy that clearly stated that satellite capacity to non-government users was to be given on non-exclusive basis. When INSAT 4A developed power problems, DOS offered 12 Ku band transponders on GSAT 10 as a substitute to Tata Sky, which neither accepted nor rejected the same. Since Tata Sky had the first right of refusal, the 12 transponders had to be kept with DOS.

There was no price revision clause in the agreements, although the minimum price fixed by DOS had provision for revision after three years. As a result, the same prices were maintained for periods of six to ten years. In contrast, agreements entered for DTH

providers receiving capacity from foreign satellites underwent price revision after one to six years. Comparatively, the prices charged by DOS for INSAT systems for DTH service providers were significantly lower than the cost of capacity on foreign satellites. Audit also observed instances of losses due to undercharging of transponders, allocation of free bonus time not covered in the agreement and failure to enter into agreement/MoU for transponder allocated in addition to the number committed in the original MoU.

Audit makes the following recommendations:

1. *DOS and ICC may frame a transparent policy for allocation of satellite capacity for DTH services and all future satellite capacity allocations may be made based on the same.*
2. *DOS may consider creating Ku band satellite capacity for DTH services commensurate with the demand in the sector and requirement for national and strategic applications.*
3. *DOS may clearly define short term and long term strategy for allocation of Ku band satellite capacity to DTH service providers on domestic and foreign satellites to ensure continuity to the existing users as well as to bring those DTH service providers using foreign satellites back to INSAT/GSAT system.*
4. *DOS may incorporate price revision clause in long term transponder lease agreements and revise the transponder prices in time to avoid extending undue benefit to the service providers.*

**New Delhi**  
**Dated: 23 July 2014**



**(GURVEEN SIDHU)**  
**Principal Director of Audit,**  
**Scientific Departments**

**Countersigned**



**New Delhi**  
**Dated: 30 July 2014**

**(SHASHI KANT SHARMA)**  
**Comptroller and Auditor General of India**

