

Chapter Summary

- Of the total revenue of Rs.37,550.04 crore collected by DoT during the four years up to 2004-05, Rs.30,759.03 crore was collected from telecom service providers, which included Rs.26,301.68 crore from licence fees and entry fees and Rs.3,053.29 crore from spectrum charges.
(Para 2.1.4)
- Contract conditions on Performance Bank Guarantee in licence agreements were not sufficient to act as a deterrent for failure to complete roll-out obligations.
(Para 2.6.1, & 2.6.2)
- Non consideration of inter connectivity charges of Rs.24.95 crore by an operator while arriving at AGR resulted in short payment of spectrum fees of Rs.60.76 lakh in four circles
(Para 2.6.6)
- Inappropriate calculation of interest for delayed payment of licence fee resulted in short recovery of penal interest of Rs.6.67 crore.
(Para 2.6.7)
- Lack of internal coordination between LF wing and WPF resulted in short remittance of spectrum charges of Rs.17.72 crore.
(Para 2.6.8)
- Failure of WPC wing to effectively scrutinize annual audited accounts and reconcile the same with payment made by operators resulted in short realization of Rs.2.51 crore.
(Para 2.6.9)
- Failure of DoT to communicate the new financial conditions of the revenue sharing regime to MTNL in time resulted in non-levy of interest of Rs.43.51 crore on MTNL for delays in payment of licence fees.
(Para 2.6.10)
- DoT did not insist upon the clearance of outstanding amounts while allocating additional spectrum to six operators although they had dues of Rs.73.94 crore outstanding against them.
(Para 2.6.15)

- In respect of GSM operators, DoT did not spell out the option of withdrawal of spectrum following inefficient usage, though a similar condition existed for Basic Services operators.

(Para 2.6.16)

- DoT did not adhere to the guidelines on spectrum allocation, resulting in initial allocation of the 6.2+6.2 MHz radio frequency to ineligible operators.

(Para 2.6.17)

- Licences of users other than telecom service providers were not renewed in time, resulting in non-levy of Rs.3.59 crore.

(Para 2.6.20)

- DoT did not collect financial bank guarantees worth Rs.4.99 crore from commercial VSAT operators.

(Para 2.6.21)

- Wireless monitoring activities of DoT were affected due to the delay in completion of a World Bank assisted project for modernization.

(Para 2.6.26)

- Failure of DoT to transfer the stipulated amounts of Universal Service Levy from its revenue to the Consolidated Fund of India resulted in short credit of the levy to the tune of Rs.217.54 crore.

(Para 2.6.29)

- Revenue shown to have been collected as per the records of the Licencing Finance Wing and as per the books of accounts maintained by the Accounting Wing had not been reconciled for the years 2001-02 to 2004-05, which resulted in a net difference of Rs.700.40 crore of revenue shown in these two sets of records.

(Para 2.6.31)

- DoT did not realize spectrum dues of Rs.241.60 crore from five Central Government organizations.

(Para 2.6.32)

RECOMMENDATIONS

- Roll-out obligations for all services should include the criteria of geographical coverage as this would facilitate accomplishment of the Government's policy of universal accessibility of telephones.

- DoT should pay greater attention towards verifying the correctness of AGR statements submitted by the service providers. DoT should strengthen its revenue collection process as well as its monitoring mechanism and should conduct special audits of licensees' books of accounts on a sample basis for checking the authenticity of their Adjusted Gross Revenue statements.
- DoT should take immediate action to realize the outstanding dues from MTNL.
- DoT should prescribe proper time schedules for utilisation of additional spectrum allotted beyond the minimum eligibility level
- Clearance of all outstanding dues against an operator should be made mandatory before allocation of additional spectrum.
- DoT should have a policy of withdrawal of spectrum from GSM licensees in cases of non utilization/under utilization.
- DoT should properly maintain and regularly update its records concerning frequency usages and consequent spectrum use by all network users, renewal of their licenses and FBGs to ensure proper collection and accounting of spectrum related dues.
- Results of verification of AGRs done by the LF Wing should be communicated to the WPC / WPF wings for appropriate levy of spectrum charges.
- DoT should introduce a proper MIS between the WPC wing and the monitoring stations for better frequency management and also to facilitate curbing of illegal /unauthorised use of wireless networks.
- DoT should take prompt decisions/corrective measures on all infringement reports.
- DoT should expedite the implementation of the National Radio Spectrum Management and Monitoring System

Chapter-II : Revenue Management in Department of Telecommunications

2.1 Introduction

With a population of over 1 billion and a GDP of around Rs. 3200 thousand crore[€], India has 75.96 million fixed lines, and 82.09 million cellular subscribers. The country has a combined tele-density rate of 14.10 lines per 100 inhabitants[∞]. Telecom is acknowledged to be a critical infrastructure sector, the growth and development of which has a direct and significant impact on the efficiency and competitiveness of every other sector of the economy. The Department of Telecommunications (DoT), which had been operating the nationwide public telephone / telegraph network, since its inception, is no longer a service provider after the creation of the two Public Sector Undertakings (PSUs) viz., Mahanagar Telephone Nigam Limited (MTNL) in 1986 and Bharat Sanchar Nigam Ltd. (BSNL) in October 2000.

DoT is now entrusted with the planning, development, licensing and coordination in respect of all telecommunication matters and earns its revenue mainly through entry fees, licence fees and spectrum charges received from various telecom service providers. The grant of licences to public telecom service providers is regulated through the policies of Government and guidelines of the Telecom Regulatory Authority of India (TRAI). The public telecom services from which spectrum related charges and licence fees are received are listed in *Appendix -1*

2.1.1 National Telecom Policy 1994

The Government announced its National Telecom Policy (NTP-94) in 1994, the important objectives of which were, ensuring the availability of telephones on demand, provision of world-class services at reasonable prices and universal availability of basic telecom services in all villages. The policy also recognized that the required resources for achieving these targets would not be available through Government and therefore, invited private sector participation based on a competitive bidding process. The licensees of Basic Telephone Services and Cellular Mobile Telephone Services (CMTS) were required to pay fixed amounts of annual licence fees. In respect of CMTS licensees in the metro cities, the licence fees consisted of a fixed annual lump sum amount for the first three years and from the fourth year onwards, they were linked to the number of subscribers.

2.1.2 Setting up of the Telecom Regulatory Authority of India

With rapid growth in the telecom sector and increase in the number of telecom operators, Government felt the need for an independent regulator for telecom services in the country and matters connected thereto. Consequently, the Telecom Regulatory Authority of India (TRAI) Act, 1997 was enacted and TRAI was set

[€] Economic Survey 2005-06

[∞] As of July 2006 – Department of Telecommunication

up in February 1997. The original Act was amended (March 2000), providing for the establishment of Telecom Dispute Settlement and Appellate Tribunal (TDSAT) for dispute settlements.

2.1.3 Introduction of New Telecom Policy 1999

NTP-99, announced by the Government in April 1999, focused on creating a conducive environment for attracting investment in the telecom sector. Accordingly, applicants fulfilling the conditions set by DoT were entitled to receive licences for providing telecom services. All the existing operators who were under the fixed licence fees regime as per NTP-94 were required to migrate to a revenue sharing regime under NTP-99 w.e.f August 1999, whereby they were required to pay to DoT, one time entry fees and a fixed percentage of their Adjusted Gross Revenue (AGR)[¥] as annual licence fees. NTP-99 was amended in November 2003 to provide for a Unified Access Service Licensing (UASL) regime, which envisaged the provision of wireline, fixed and limited mobile wireless, full mobile wireless (WLL-M) and cellular mobile telephone services, under one licence, on payment of prescribed entry fees. 26 Basic Telephone Service providers migrated to the UASL regime in November 2003.

The country was divided into 20 service areas for issue of licences for Basic Telephone Services and 24 service areas including four metro cities for CMTS. The circles were further divided into three categories, viz., A[&], B[¥] and C^{*}, according to their revenue generating capacities. The details of licences issued for various services as of March 2005 are given in *Appendix-2*.

2.1.4 Revenue collection by DoT

Revenue collection by DoT during the years 2001-05 are given below:

(Rs. in crore)

Details	2001-02	2002-03	2003-04	2004-05	Total
Revenue Share	6238.26	4827.34	8420.57	6815.51	26301.68
WPC and WMO	695.14	640.28	677.43	1040.44	3053.29
Other receipts	1084.95	75.55	123.63	119.94	1404.07
Total Revenue under the MH 1275-Other Communication Services	8018.35	5543.17	9221.63	7975.88	30759.03
Receipts creditable to other Major Heads	2871.89	1076.99	831.75	2010.38	6791.01
Total Non Tax Revenue	10890.24	6620.16	10053.38	9986.26	37550.04

[¥] AGR: The total income of a telecom operator from services including other incomes, after adjusting service/sales tax actually paid to the Government and interconnection usage charges (IUC) paid to other operators.

[&] Andhra Pradesh, Delhi, Gujarat, Karnataka, Maharashtra (including Mumbai and Goa) and Tamil Nadu (including Chennai).

[¥] Haryana, Kerala, Madhya Pradesh, Punjab, Rajasthan, Uttar Pradesh (East), Uttar Pradesh (West) and West Bengal (including Kolkata).

^{*} Andaman & Nicobar, Assam, Bihar, Himachal Pradesh, J&K, North East and Orissa.

Out of the total revenue of Rs.37,550.04 crore collected by DoT during these four years, Rs.30,759.03 crore (81.91 *percent*) consisted of licence fees, entry fees, spectrum charges and other miscellaneous receipts received from telecom service providers. The remaining revenue of Rs.6,791.01 crore (18.09 *percent*) came from other sources like interest on loans and advances to employees and public sector undertakings, dividends, other departmental miscellaneous income, etc.

Of the total revenue of Rs.30,759.03 crore collected by DoT from telecom operations during these four years, Rs.26,301.68 crore were from licence fees (including entry fees) from public telecom service providers and Rs.3,053.29 crore were from spectrum related licence fees and charges.

Out of the total revenue received during these years, 69.27 *percent* was collected from Basic and Unified Access Service licensees and 20.43 *percent* from CMTS.

2.2 SCOPE OF AUDIT

Performance audit of revenue management in DoT, inter alia covering aspects relating to terms and conditions of the licence agreements and enforcement of contractual obligations, collection and accounting of revenue such as entry fees, licence fees, universal service levy and spectrum charges was conducted, covering the period from 1999-2000 to 2004-2005.

2.2.1 ORGANISATIONAL SETUP

Revenue management in DoT is under the overall control of the Secretary, DoT, who is also the Chairman of the Telecom Commission. He is assisted by the Member (Finance), the Member (Production), the Adviser (Finance), the Adviser (Production) and the Deputy Directors General in charge of Finance Establishment and Budget; Wireless Planning Finance (WPF); Accounts; Value Added Services and Basic Telephone Services; Licensing Regulation and Licensing Finance.

The Licensing Finance (LF) Wing at DoT Headquarters was carrying out the work relating to collection of licence fees up to December 2002. However, from January 2003, work relating to eight service areas, was delegated to Controllers of Communications Accounts (CCAs). From April 2004, work relating to the rest of the service areas was also handed over to the jurisdictional CCAs.

The Wireless Planning and Coordination (WPC) Wing, headed by the Wireless Adviser, is the regulatory agency responsible for radio frequency spectrum management, including wireless licensing for all users of radio frequency spectrum. The Wireless Monitoring Organization (WMO) is the field organization of the WPC Wing and provides monitoring, inspection and other technical support for spectrum management. A WPF Division headed by the Deputy Director General (WPF), created under the Member (Finance) in December 2000, provides financial advice and monitors collection of spectrum dues.

The work of collection of spectrum dues from GSM* mobile telephone operators was with the WPF Wing from October 2002 but from April 2004, this work was delegated to the CCAs. The work of reconciliation of dues from operators using CDMA[†] technology, which was being done by the WPF Wing, was further entrusted to all the CCAs with effect from April 2005. Wireless monitoring was controlled by the WMO Headquarters with the help of 21 Wireless Monitoring Stations (WMS) located all over the country. Organizational setup of DoT is given at **Appendix-3**.

2.3 AUDIT OBJECTIVES

Achieving high tele-density and enhanced competition were the thrust areas of the New Telecom Policy apart from universal provisioning of telecommunication services at affordable cost. The rapid technological changes in the sector which are capable of offering a number of value added applications, require effective spectrum management. In view of the above audit sought to examine

- whether the terms and conditions of the licence agreements framed by DoT for providing telecom services were in consonance with the fulfillment of objectives enshrined in NTP 99;
- the degree of adherence to the terms and conditions of the licence agreements by the licensees;
- the framework and the systems adopted for allocation, utilization and monitoring of spectrum;
- the mechanisms to curb unauthorized use of spectrum;
- adequacy of mechanisms for assessment and collection of revenue and
- adequacy of internal controls including reporting and monitoring.

2.4 AUDIT CRITERIA

The criteria against which the department's performance was evaluated were:

- Incorporation of the objectives of NTP-99 in the guidelines prepared by DoT;
- Compliance with the terms and conditions of tenders and parameters set for their evaluation and implementation;
- Whether financial terms and conditions protected the interest of DoT in the event of failure by the operators and whether these were implemented;
- Efficiency and effectiveness of the system of monitoring calculation and collection of licence fees;
- Policy adopted for allocation of spectrum including evaluation of the mechanism to check unauthorized use of spectrum;
- Compliance with the WPC guidelines relating to payments of spectrum charges.

* GSM- Global System of Mobile telephone services based on Time Division Multiple Access (TDMA)

[†] CDMA- Code Division Multiple Access

2.5 AUDIT METHODOLOGY

The audit methodology involved examination of documents and discussions with the auditee to evaluate the policies related to telecom revenue management; the efficiency of the process of licensing and collection of licence fees, spectrum charges and other revenue in DoT, on the basis of the audit criteria broadly outlined earlier.

2.6 AUDIT FINDINGS

2.6.1 Terms and conditions of licence agreements

Clear and definite terms and conditions in the licence agreements were imperative for ensuring the achievement of Government's policy objectives and to optimize DoT's revenue.

The licence agreements for Basic Telephone Services stipulated roll-out obligations in terms of Point of Presence (POP)^W to be achieved by the licensees at the Short Distance Charging Area (SDCA)^{*} level. The service areas were divided into SDCAs and establishment of a POP in an SDCA was to be treated as completion of the roll-out obligation. The roll-out obligations and the penalties for non-performance as per the agreements were as under

Phase	Time period for completion	Cumulative coverage in terms of POP to be achieved at SDCA level	PBG to be released on fulfilment of obligations shown under Column 3
I	2 Years	15%	-
II	3 Years	40%	20%
III	5 Years	80%	30%
IV	7 Years	100%	50%

Any shortfall in network coverage in Phases II, III and IV would entail forfeiture of the Performance Bank Guarantees (PBGs) relating to those phases. There would be no carry forward of the unfulfilled network obligation from one phase to another.

Audit analysis of these conditions relating to roll-out obligations and penalty for non-fulfilment of obligations revealed the following.

^W Point of Presence: As per the licence agreements, this referred to the setting up of a switching system of adequate capacity to meet the required quality of service.

^{*} Short Distance Charging Area: the smallest territorial unit for charging purposes. Calls within the same SDCA are charged as local calls. SDCAs normally coincide with Tehsils or Talukas.

2.6.2 Inconsistencies in definition of point of presence and geographical areas

The percentage of coverage in terms of POPs did not consider the percentage of geographical area to be covered within SDCAs. Thus an operator became eligible for refund of PBGs after setting up POPs in a given number of SDCAs even if adequate service coverage within the SDCAs was not provided. Further, there was no penalty for non-fulfilment of roll out obligations up to three years. No provision for penalty existed in the agreements for non-fulfilment of 15 *per cent* cumulative coverage under Phase-I.

(a) It was observed in Delhi SDCA that M/s Bharti Telenet was to provide Basic Telephone Services. After setting up a single switching system at the Okhla industrial area in February 2002 they obtained full refund of Rs 200 crore of PBGs in spite of not covering the entire city of Delhi. Further, M/s Bharti Telenet (renamed as Bharti Infotel Limited) surrendered (October 2004) its licence for the Delhi SDCA leaving many parts of the city uncovered.

(b) M/s Bharti Infotel Ltd, which had been granted a licence in October 2001 for providing Basic Telephone Services in the service areas of Haryana, Karnataka, and Tamil Nadu, gave a formal notice to DoT in August 2004, for surrendering their licences for these areas w.e.f. 1 October 2004. The roll-out achieved by them was short by 15 *per cent* in Haryana, 23 *per cent* in Tamil Nadu and 25 *per cent* in Karnataka. However, despite non-achievement of the complete roll-out obligation by M/s Bharti Infotel Ltd, DoT was unable to encash 20 *per cent* of the PBG of Rs 76 crore, as the three year period for levy of this penalty ended only on 31 October 2004.

Thus the condition for forfeiture of PBG which was to act as a deterrent for failure to complete roll out obligations proved ineffective.

2.6.3 Collection and monitoring of revenue

Service providers were required to pay licence fees annually at the rates of 10 *per cent*, 8 *per cent* and 6 *per cent* of their AGR in the A, B and C category service areas, respectively. Annual licence fees were payable in four quarterly instalments, starting from the April-June quarter, together with the statements of AGR for the relevant quarters. Licence fees for the first three quarters were to be paid within 15 days of the completion of the relevant quarter. For the fourth quarter it should be paid by 25 March on the basis of the expected revenues for the quarter, subject to a minimum payment equal to the actual revenue share paid for the previous quarter. The deficiencies in collection of revenue by DoT from various operators, as observed by audit, are discussed in the succeeding paragraphs.

2.6.4 Undue benefit to operator

Licence fees for Basic Telephone Services, CMTS and UASL in respect of all circles as well as the metro service areas were reduced by 2 *per cent* uniformly with effect from April 2004. Over and above this, an additional 2 *per cent* relief in licence fees was allowed to the first two cellular operators in the circles where the licences had been awarded before 1999.

In Karnataka Circle, Bharti Group provided cellular services under a licence issued prior to 1999, in the name of M/s Bharti Mobiles Limited. The Basic services were being provided from 2001, by another group company viz. Bharti Infotel Limited. M/s Bharti Mobiles Limited migrated to the UASL regime in November 2004, which enabled them to provide Basic as well as Cellular services under a single licence. Consequently, M/s Bharti Infotel Limited surrendered their licence. Audit observed that M/s Bharti Mobiles Limited (now Bharti Televentures Limited), which was the cellular mobile service provider prior to 1999, was claiming the additional 2 *per cent* relief in respect of Basic Telephone Services also though this relief was applicable only for the cellular service. DoT continued to accept the reduced payment (November 2005). This undue benefit to the provider resulted in a loss of revenue of Rs 2.93 crore to DoT from October 2004 to June 2005.

(Rs. in crore)

Table 3 : Undue benefit to service provider				
Period	AGR	LF due @ 10%	LF paid @ 8%	Difference
IIIrd Qtr (2004-05)	42.16	4.21	3.37	0.84
IVth Qtr (2004-05)	48.80	4.88	3.90	0.98
Ist Qtr (2005-06)	55.31	5.53	4.42	1.11
Total				2.93

On this being pointed out by audit, DoT replied (February 2006) that only one levy was applicable on a particular licence and accordingly, there was no short collection of licence fee. The reply is not tenable since the additional relief of 2 *per cent* was applicable only to the first two licensees in a circle. Further, the instant relief was neither being claimed nor allowed to the same operator in other telecom circles. Incidentally, the jurisdictional CCA, Bangalore who collects the licence fee had accepted the audit contention.

2.6.5 Assessment of Adjusted gross revenue statements

Since licence fees and spectrum usage charges were based on fixed percentages of AGRs, verification of the latter with reference to supporting documents was vital to ensure the correctness of the revenue generated and to guard against any revenue losses which could occur due to incorrect financial statements. Licence agreements provided for a verification process to ensure the correctness of the AGR statements. DoT had a right to access the books of accounts that the

licensee may have maintained in respect of the business carried on to provide the service(s) under the licence at any time. The records of the licensee would be subject to such scrutiny as may be prescribed by the licensor so as to facilitate independent verification of the amount due to the licensor as its share of the revenue. If DoT felt that the statements or accounts submitted were inaccurate or misleading they could order a special audit of the accounts of the licensee.

Audit scrutiny revealed that the procedures for verifying the AGR were not adequate, leaving room for different types of disputes and provisional assessments of AGR. It was observed that in all cases test checked by audit demands were finalised provisionally. In the case of fourteen service providers involving 52 licences, the computation of the annual gross revenues had been contested through representations or by filing cases before TDSAT, involving an amount of Rs.127.17 crore.

2.6.6 Deductions allowed without verifying relevant details

The gross revenue was arrived at after providing for deductions in respect of rebates provided by service providers as per tariffs approved by TRAI, service tax and sales tax paid, etc. Examination of files regarding licence fee calculations revealed that there were no internal guidelines with regard to verification of deductions stated to be provided by service providers. The veracity of the details of discounts and rebates depicted in AGRs and claimed by the operators were not being verified by the LF wing of DoT. It was observed that DoT did not have complete details of discounts claimed by licensees of tariff plans approved by TRAI nor was the same being actually verified with that allowed to the customers. A few cases of such non verification are indicated below.

For one service provider (M/s Bharti Infotel Ltd), for the year 2003-04, out of the total amount of rebates and discounts of Rs.70.75 crore given by the company, only Rs.2.05 crore (around 3 *percent*) had been added back in the AGR and the balance Rs.68.70 crore (around 97 *percent*) allowed as deductions under the tariff plans stated to be approved by TRAI. However this had not been verified by the department prior to allowing the deduction.

In the case of another service provider (M/s Reliance Infocomm Limited -RIL), neither were the details of discounts and rebates allowed by them to subscribers during the years 2001-02 to 2003-04 (in 20 basic telephone service areas and 7 cellular service areas) disclosed in the AGR statements (or in their Annual Reports) nor was the same called for by DoT. On this being pointed out in audit DoT stated (August 2005) that details and discounts were being called for.

As per the licence agreements details of service tax billed, collected and paid to the Government were to be attached with the AGR statements to enable correct computation of AGR and consequent realization of government share of revenues.

In the case of a service provider (RIL) for the years 1999-2000 to 2003-04 (in respect of 20 Basic Telephone Service areas and seven cellular service areas)

neither were details of service tax deductions furnished nor did the Department call for the same. On this being pointed out in audit, the Department stated (August 2005) that the details were being called for. Similar mistakes were noticed by audit in the case of 10 other service providers[♦].

Audit attempted an independent verification of the audited accounts of a service provider (Tata Tele services Ltd), and found that the service provider had claimed ineligible deductions on account of lease line rent paid to other service providers, provision for access charges but not paid, etc. of Rs 8.78 crore and was allowed by DoT. This resulted in short levy of licence fee of Rs 1.05 crore. On this being pointed out in audit (December 2005), DoT accepted the audit observation and issued a revised demand (January 2006). Further scrutiny at the level of CCAs revealed instances of understatement of revenue by operators. Audit noticed that in the case of an operator (RIL) interconnectivity usage charges of Rs.24.95 crore were not considered by the operator while arriving at the AGR which resulted in short payment of spectrum fees of Rs.60.76 lakh in four circles[°].

Department stated (November 2005) that a transaction level reconciliation can be carried out subject to availability of manpower and the case for augmenting manpower is being followed up.

2.6.7 Penal interest was short recovered from the operators

As per the amended payment schedule for revenue sharing, a licensee would have to pay the licence fees for the fourth quarter by 25 March, on the basis of the expected revenues for the quarter, subject to a minimum payment equal to the actual revenue share paid for the previous quarter. Interest for delayed payments, as stipulated in the licence, would apply for payments beyond the due dates. The licensees would have to adjust and pay the difference between the amount paid and the actual amount payable for the last quarter of the financial year within 15 days of the end of the said quarter. This scheme was operational from the quarter beginning 1.10.2002 onwards.

However, during examination of the records relating to the calculation of licence fees for the years 2002-03 and 2003-04, it was noticed that in 32 cases, the payments of licence fees for the fourth quarter had been made after the due dates of payment i.e. 25 March of the related financial year. Interest for short/delayed payments was calculated from 15 April of the next financial year instead of from 25 March. This method of calculation of penal interest resulted in short recovery of penal interest amounting to Rs.1.12 crore (*Appendix-4*).

[♦] M/s BTA Cellcom, RPG Cellular Ltd, Bharti Cellular Ltd, BPL Mobile Cellular Ltd, Idea Cellular Ltd, Cosmat Max Ltd, Data Access, Essel Shyam Comm. Ltd, Tata Teleservices Ltd. and HFCL

[°] North East, Assam, West Bengal and Kolkata circles.

Similarly, for the period 01.08.1999 to 31.03.2002, the due date for payment was 10 days in advance of the commencement of each quarter. However, during examination of records, it was noticed that in 32 cases, the interest on delayed payments of licence fees was calculated from the date of commencement of each quarter and not from the due date i.e. 10 days in advance of the relevant quarter. This resulted in short collection of interest of Rs.5.55 crore (*Appendix-5*).

DoT accepted (November 2005) the short collection of penal interest of Rs.6.67 crore from the operators and stated that the cases would be re-examined.

2.6.8 Lack of internal coordination resulted in short remittance of Rs.17.72 crore

Spectrum charges for Cellular and WLL (CDMA) telephone services were to be paid in advance on a quarterly basis along with a return (AGR statement) to the jurisdictional CCAs. Spectrum charges are calculated as percentage of AGR. At the end of the financial year, the quarterly payments made by the service providers were reconciled with the audited annual accounts of the service providers through a process of financial settlements by the LF Wing. In case of differences, additional demands are raised by LF Wing only in respect of licence fees. However, since spectrum charges are apportioned to WPF, they need to coordinate closely with the LF Wing to ensure the correctness of spectrum charges payable in case of change in AGR.

Audit noticed that financial settlement of accounts was done at the LF Wing only for the licence fee portion in respect of the nine CDMA operators. LF Wing did not intimate WPF of any change in AGR nor did they raise any demand for additional spectrum charges. When audit reconciled the spectrum charges due as per the records available at LF Wing as against those remitted to WPF, it was noticed that four CDMA operators had made a short remittance of Rs.17.72 crore as detailed in *Appendix-6*.

Department stated (February 2006) that they are in the process of reconciling the dues as pointed out by audit.

2.6.9 Short collection of spectrum charges from VSAT operators

WPC is responsible for collection of spectrum charges from VSAT service providers. There are presently eleven commercial VSAT service providers. As in the case of other service providers, VSAT operators also submit AGR statements and make payments on a quarterly basis. An audited annual statement is also provided every year.

Audit observed that WPC Wing had not called for the audited AGRs for assessing the correctness of spectrum charges payable by commercial VSAT operators for the years 2003-04 to 2004-05. However, audit verified the audited AGRs which were available in the LF Wing with spectrum charges paid in respect

of seven cases, which revealed a short collection of Rs.1.82 crore (March 2005). Besides interest of Rs.69 lakh was also leviable. (*Appendix-7*) Failure of WPC wing to effectively scrutinize annual audited accounts and reconcile the same with payments made as per the AGRs by the operators resulted in short realization of Rs.2.51 crore.

2.6.10 Delay in intimation of financial conditions

Financial conditions relating to the revenue sharing regime introduced through NTP-99 were communicated in July and September 2001 to Basic Telephone Service operators and CMTS operators respectively. This regime was introduced with retrospective effect from August 1999. Accordingly all the service providers switched over to the revenue sharing regime and paid licence fees. The new financial conditions entailed payment of licence fees on quarterly basis. For delays, interest at 5 per cent above the prime lending rate of State Bank of India prevalent on the day the payment became due was also prescribed.

MTNL switched over to the revenue sharing regime in 2001-02, and delayed the quarterly payments by three to six months. Audit scrutiny revealed that the financial conditions of the revenue sharing regime, which stipulated levy of interest for delays in remittance of quarterly payment, were communicated to MTNL only in May 2002. MTNL therefore refused to pay interest due for the year 2001-2002 on the plea that the DoT had not communicated the new financial conditions to them in time. DoT accepted MTNL's argument and waived off the interest. Thus, failure to communicate the relevant financial conditions on time resulted in a loss of Rs.43.51 crore.

On this being pointed out DoT replied (February 2006) that MTNL was governed by different terms and conditions of licence granted in 1986 and that MTNL had not participated in any bidding competition to secure a licence for operation of services in Delhi and Mumbai. Moreover, MTNL was not amongst the licensees who had pleaded for migration to revenue sharing arrangement in 1999 and so there was no failure on the part of DoT.

The reply is not tenable as MTNL had migrated to the revenue sharing arrangement from 2001-2002 and thus necessary conditions regarding levy of interest should have been communicated to them in time.

2.6.11 Allocation of radio frequency spectrum and collection of spectrum charges

Mobile telephony entails sending and receiving signals at various radio frequencies spectrum. The frequency spectrum available for utilization is limited by factors like propagation characteristics of different bands, equipment availability and suitability to different types of application like imagery, communication, etc. The Indian Telegraph Act, 1885 and the Indian Wireless

Telegraphy Act, 1933 provide the legal basis for spectrum management. The National Frequency Allocation Plan (NFAP) 1981 provides the basis for assignment of frequencies and caters to the new requirements for spectrum, in view of the emerging technologies. WPC Wing updates the National Frequency Allocation Plan (NFAP) every two years.

Historically the allocation of spectrum was need based and was mostly allotted to Government organizations, Defence being one of the largest users. However, with growth of telecom sector and increase in the number of radio users, requirement of spectrum increased manifold. The planning and allocation of spectrum is based on consultations with major national users through the forum of the Standing Advisory Committee on Frequency Allocation (SACFA)*, established in 1966.

The total receipts of the WPC wing of DoT from spectrum charges were Rs.1,040.41 crore in 2004-05. Out of this, the revenue from mobile telephony service providers, other than BSNL and MTNL was Rs 610.08 crore. The revenue receipts from BSNL and MTNL were Rs 357.43 crore, which included revenue from their backbone microwave links as well.

With exponential growth of the subscriber bases of mobile telephony operators in recent years, spectrum revenues are growing steadily. With rapid technological changes the economic value of spectrum for public service providers is receiving greater focus and calls for efficient spectrum management. It is, therefore, imperative for DoT to ensure:

- Well defined criteria for allocation of spectrum which are mindful of considerations of economy and efficiency
- Adherence to the laid down criteria for allocation
- Existence of an efficient system of collection of revenue and accounting to safeguard against the risk of revenue leakages
- Existence of a proper mechanism for encouraging lawful use of spectrum.

Audit observations on DoT's spectrum management are discussed in the succeeding paragraphs.

2.6.12 Criteria laid down for allocation of spectrum were not adequate

In the following cases, audit observed that the criteria laid down by the WPC Wing for allocation of spectrum were not sufficient to ensure efficient utilisation of spectrum and collection of revenues.

* SACFA: the apex body in the WPC wing of DoT, consisting of members drawn from DoT and user departments such as All India Radio, Doordarshan, Defence, Railways, Civil Aviation, BSNL, etc for considering matters regarding coordination for frequency allocations and other related issues and for issue of clearance of sites for fixed stations and their antenna masts.

2.6.13 Absence of subscriber base for allotment of radio frequency for CMTS operators

As per the licence agreements, all CMTS operators were eligible for a initial allotment of radio frequency which shall not exceed 4.4+4.4 MHz.[@] Subsequent assignments of additional radio frequency were to be based on subscriber base reached by the operators and future projections. The criteria of subscriber base were to ensure that operators with higher subscriber base would not be deprived of radio frequencies and also to prevent the hoarding of spectrum by ineligible operators. Audit observed that though a condition of a minimum subscriber base existed for incremental allotment of radio frequency beyond 6.2 MHz, there were no subscriber base criteria fixed for increment from 4.4 MHz to 6.2 MHz.

On this being pointed out in audit, DoT stated (February 2006) that necessary criteria for allocation of additional radio frequency beyond the initial allotments was under consideration. In March 2006, they issued detailed orders prescribing the condition of a minimum subscriber base for allotment of additional spectrum beyond 4.4 MHz and upto 15 MHz.

2.6.14 Non utilization of additional spectrum

In addition to the above absence of criterion for incremental allotment of radio frequency there was no time frame fixed for utilization of allotted incremental spectrum through expansion of subscriber base. Audit study of utilization of spectrum by 15 GSM operators spread over 23 service areas showed that in the case of four operators^{*} in seven different service areas, incremental spectrum allotted from 4.4 MHz to 6.2 MHz had not been utilized for periods ranging from 18 to 49 months. Such instances could have been avoided by prescribing a time schedule for utilization of spectrum by achieving required subscriber base.

2.6.15 Outstanding revenue not recovered before allocating additional spectrum

Before allocating additional spectrum, DoT should have ensured that the operators had cleared their outstanding dues. Audit observed that though such a provision existed in the Letter of Intent for award of licences to Basic Telephone Service operators, no such provision existed in the case of allotment of additional spectrum to GSM operators. Audit noticed that DoT allocated additional spectrum to six operators[@] when they had total outstanding dues of Rs 73.94 crore against them. Besides, DoT had not taken any financial bank guarantees to safeguard its interests at the time of allocation of the additional spectrum. The details are given at *Appendix-8*.

On this being pointed out by Audit, DoT accepted the facts (February 2006) and agreed to take remedial measures.

[@] 4.4 MHz for receiving and 4.4 MHz for transmitting data

^{*} Reliance Telecom, Bharti Telenet, BTA Cell com(IDEA) and Aircel Digilink

[@] BPL, Fascal, Bharti, Hutch, IDEA and Reliance

2.6.16 Option of withdrawal was not spelt out in respect of GSM.

As spectrum is a scarce resource, DoT should have had the option of withdrawing the entire or part of the spectrum allotted to operators in cases of inefficient utilization. Audit observed that though a provision for withdrawal of spectrum existed in the cases of Basic Services, no such condition existed in respect of GSM licensees.

It was noticed in audit that M/s Reliable Internet was allotted 6.2+6.2 MHz radio frequency for the Kolkata service area in March 2002 but it commenced its services only in March 2005. Similarly, frequencies assigned (March and April 2002) to M/s Escorts Telecom for operation in the Himachal Pradesh, Rajasthan and Uttar Pradesh (East) service areas remained unutilised for three years as the company had not commenced their services till June 2005. The absence of a withdrawal clause led to non-utilization of spectrum for periods ranging from 27 to 36 months.

DoT accepted the audit observation (February 2006).

2.6.17 Radio frequency of 6.2+6.2 MHz was initially allocated to ineligible operators

As stated earlier, the licence conditions for cellular operators in a service area stipulated that initially a maximum of up to 4.4+4.4 MHz radio frequency would be allotted. Further allocation was to be based on the usage pattern and availability of additional radio frequency. Audit, scrutiny revealed that in violation of the above condition, WPC Wing had made initial allotments of 6.2+6.2 MHz radio frequency to four cellular operators* in three cases. Further, the excess allocation was not justified in terms of subscriber base of the operators as detailed in *Appendix-9*.

DoT, accepted the facts and stated (February 2006) that new criteria for allotment of spectrum were under consideration.

2.6.18 Issue of operational licences was delayed

Test checks of 100 operational licences of other than telecom service providers by audit showed that in 15 cases, the time taken for grant of the licences ranged from 3 to 22 months. In 11 other cases, no licences had been granted (November 2005) even after the lapse of seven to 34 months. Audit observed that the WPC wing had not prescribed any time schedule for completion of various activities such as verification of parameters and reconciliation of dues. The Department accepted (July 2005) the facts and stated that normally the licences were issued within four weeks. The reply is not tenable since in more than 50 percent of the test checked cases delays were more than 4 weeks.

*Bharti

2.6.19 No time frame was fixed for site clearances by SACFA

As stated earlier, SACFA is a high level body chaired by Chairman, Telecom Commission, comprising members from various government and public sector organizations who are major users of the spectrum. It is responsible for clearance of sites for fixed wireless stations. All applications for spectrum allocation are processed in the WPC Wing, only after clearances by SACFA.

The details of applications processed and the time taken for clearance are given at *Appendix-10*. Audit observed that though measures such as online processing of applications had been introduced, the pace of clearance of application was slow. Out of 52,423 applications received by SACFA during the years 2003 to 2005, only 20,892 applications had been cleared (March 2005). Audit also observed that no time frame had been prescribed within which SACFA was to give clearances.

On this being pointed out by audit, DoT accepted (February 2006) the delays and stated they were beyond the SACFA Secretariat's control due to the complexities involved. DoT also stated that the members from the Defence services, viz., Army, Navy and Air Force, had not yet started online processing, which had hampered the speedy clearance of SACFA cases.

2.6.20 Lack of follow up action in licences of users other than telecom service providers.

Audit observed that no follow up action was taken by the WPC Wing after issue of initial licences in respect of users other than telecom service providers. Although licences were renewable annually audit noticed delays in renewal of licences ranging from 7 months to over 19 years. In the interim no action was taken by the WPC Wing to withdraw spectrum allocated and cancel the licence. Audit observed that the database of licensees was incomplete and not updated. Test check of 684 cases from the database indicated that in 313 cases there was neither renewal nor cancellation. It was possible that these operators were still utilizing the spectrum originally allotted, with consequent non levy of spectrum charges of Rs.3.59 crore. Failure of the WPC Wing to effectively monitor the licenses jeopardized the interests of Government revenue of Rs 3.59 crore.

Further it was observed that the WPC Wing had not realized an amount of Rs.10.39 crore from 11 existing Commercial Radio Paging Service Providers. In five cases, where frequencies had been withdrawn from the service providers, the WPC Wing failed to realize outstanding dues of Rs.1.23 crore. (*Appendix-11*)

2.6.21 Financial Bank Guarantees not obtained

The licence agreements with all service providers stipulated the submission of Financial Bank Guarantees (FBGs) as a security against non-payment of government dues. For commercial VSAT service providers, the charges and royalties for the use of spectrum as also for possession of wireless telegraphy equipment were to be separately securitized by furnishing bank guarantees

equivalent to the estimated sums payable annually. Audit observed that the WPC Wing did not obtain any FBGs from commercial VSAT service operators during the period 2003 to 2005. Based on the AGR figures of nine out of a total of 11 commercial VSAT operators, audit worked out that FBG worth Rs.4.99 crore should have been collected from them (*Appendix-12*). The WPC Wing also did not obtain FBGs amounting to Rs 77.19 lakh from one Basic Service provider, viz., HFCL, for the Punjab Circle.

On this being pointed out by audit, DoT stated (February 2006) that FBGs were not obtained from commercial VSAT service providers since annual spectrum charges were levied in advance and there was thus no loss of revenue on account of spectrum charges.

The reply is not tenable as advance payment of spectrum charges would not absolve DoT of the responsibility of obtaining requisite FBGs to securitize the cost of wireless telegraphy equipment. Failure of DoT to obtain adequate FBGs jeopardized the security of government assets.

2.6.22 Monitoring activities

WMO is the field organization of the WPC Wing providing monitoring, inspection and other technical support for ensuring interference-free operations and adherence to prescribed technical and operating conditions. Monitoring was carried out through 21 fixed monitoring stations, 4 microwave mobile monitoring terminals, five radio noise survey units, 10 inspection units and one satellite monitoring earth station at Jalna, Maharashtra. Physical inspections of licenced wireless installations were undertaken by inspection units to ensure that the wireless users were complying with the licensing conditions.

DoT had also undertaken a World Bank assisted project to provide a National Radio Spectrum Management and Monitoring System (NRSMMMS) to modernize its radio frequency management. Inadequate monitoring would lead to failure to detect unlawful usage resulting in revenue losses as well as interference in other operations. Audit observed the following inadequacies in spectrum monitoring.

2.6.23 Updated details of networks of other than service providers were not available with the WPC Wing

In order to verify the correctness of revenue due to Government, updated network details of all users should have been available with the WPC Wing. However, it was observed that the data available with WPC was not updated periodically and therefore, it was not possible to derive an assurance regarding the number of live licences. In the absence of details of licensees who were operating, it was also not possible for the field units of WMO to monitor the usage of spectrum by the licensees. In the absence of correct data WPC issued only provisional bills for spectrum charges, and it was observed in most cases that WPC had to depend on the customers for details of usage.

On this being pointed out in audit, DoT stated (February 2006) that the schedules of licences were being maintained in registers/folders and computerization would enable them to improve the situation. They stated that the matter of reconciliation of dues from government organizations had been taken up with the concerned organizations.

2.6.24 Lack of coordination between the WPC Wing and WMOs

The WPC Wing issues letters to wireless licence applicants informing them to complete further formalities before they commence their operations after grant of regular licences. There was no comprehensive database containing necessary technical and administrative details of spectrum licences in the WPC Wing or at the monitoring stations.

Timely intimation by the WPC Wing to the concerned monitoring stations, of the details of expired Agreements in principle (AsIP), was vital to ensure that no unauthorized operations took place. Audit check at six monitoring stations revealed that 27 wireless networks were being operated without operational licences. Audit observed that the WPC Wing did not intimate the monitoring stations regarding expiry of the validity periods of AsIP, resulting in non realization of revenue to the tune of Rs 2.39 crore. Further, it was observed that the penalty leviable under the Indian Wireless Telegraphy Act (1933) for operating without proper licence was only Rs.100 in the case of first offence and in the case of second or subsequent offence; the fine may extend to Rs.250. Thus, the quantum of penalty prescribed did not provide any deterrence against operating without valid licence.

2.6.25 Infringement reports not followed up

Audit observed that reports on various infringements of licence conditions and unauthorized usages of spectrum were being sent to the WMO Headquarters as well as the WPC Wing by the Engineers (Inspection) of the various monitoring stations. However, the WPC Wing, being the licensing authority, did not take necessary action against the concerned operators (*Appendix-13*).

On this being pointed out by Audit, DoT accepted (February 2006) that the schedules of licences were maintained in registers/folders and licences had not been renewed in most of the cases pointed out by Audit. DoT also intimated that the licence data had since been computerized but validation is in progress.

2.6.26 Monitoring was affected due to delay in implementation of the World Bank Project

Under the National Radio Spectrum Management and Monitoring System (NRSMMMS), the WPC Wing envisaged automation of the process for radio frequency spectrum management including upgrading of its monitoring facilities.

Four fixed H/V/UHF[♦] receiving systems for the four metros; one V/UHF Mobile Monitoring system for each of the monitoring stations except for the one at Jalna; one SHF[♠] Mobile Monitoring system for each of the monitoring stations except for the stations at Jalna and Dibrugarh; and one SHF fixed monitoring facility for the monitoring station at Jalna, were to be procured under this scheme.

As per the contract with the supplier, all the systems were to be delivered and operationally accepted by June 2004. Audit observed that the receiving equipment meant for the metros had failed the acceptance testing. Commissioning of the mobile monitoring system was delayed due to delays on the part of the contractor to submit satisfactory designs. As a result, the date for completion of the World Bank Project had to be extended up to March 2006.

On this being pointed out by audit, DoT replied (February 2006) that under the NRSMMMS project, installation of hardware and software for the automated spectrum management system for radio frequency management had been completed and the same was in use. However, as far as fixed and mobile monitoring activities were concerned, though the installation work of 21 VHF/UHF MMS had been completed, the acceptance testing for the overall facilities was still to be completed.

The delay of almost two years in the commissioning of equipments under the World Bank Project hampered the modernization of monitoring activities and delayed the expected improvements in the system especially in critical areas of monitoring fixed and mobile service providers.

2.6.27 Enforcement Group was not set up

In the Action Taken Note in respect of sub paragraph 1.1.8 to paragraph 1.1 of Audit Report No 2 of the Comptroller and Auditor General of India for the year 2004, DoT had stated that a case for creation of Enforcement Group for rigorous check/recovery of dues and taking penal action was under their consideration. Audit, however, observed that no such Group had been created (November 2005).

In reply, DoT stated (February 2006) that a committee had been constituted to study the restructuring of the WPC Wing and the WMO units. The committee's recommendations had been submitted and the same were under examination.

2.6.28 Accounting Issues

The deficiencies observed by Audit in accounting of revenue are discussed in the succeeding paragraphs.

[♦] High/Very high/Ultra high frequency.

[♠] Super high frequency.

2.6.29 Universal Service Obligation levy was short credited to the Consolidated Fund of India

One of the objectives of NTP-94 was to achieve Universal Service, covering all villages, as early as possible. NTP-99 emphasized the achievement of telecom coverage of all villages of the country by 2002. As the goals set out in NTP-99 could not be achieved, a Universal Service Obligation (USO) fund was created in order to enhance the tele-density in rural and remote areas. Guidelines for operation of the fund were issued with effect from 1 April 2002.

Resources for meeting the USO were generated through a Universal Service Levy (USL), which amounted to 5 *per cent* of the AGR of the telecom operators and was included in the licence fees rates prescribed for the different service areas. Bifurcation of the revenue shares received by DoT into licence fees and USL was made at the end of the accounting year through a transfer entry by transferring the prescribed revenue share into USL. The USL so collected was directly deposited in the Consolidated Fund of India and was allocated by Parliament to the USO Fund through a Budget Grant. Deficiencies noticed in crediting the USL to the Consolidated Fund of India (CFI) are discussed below.

(a) In compliance of decisions (March/May 2003) of the Supreme Court and TDSAT, DoT was to refund Rs 584.79 crore to CMTS and Basic Telephone Service providers. Out of this amount, DoT adjusted the outstanding dues of the concerned service providers towards licence fees of Rs 325.06 crore and spectrum charges of Rs 65.66 crore for the years 2002-03 and 2003-04. However, DoT had not transferred the USL portion of Rs 202.04 crore out of the amount adjusted towards licence fees into the CFI till November 2005.

(b) Examination of the Payment Register for CMTS operators for the years 2003-04 and 2004-05 revealed that in 21 cases, the stipulated 5 *per cent* portion of revenue share aggregating Rs 15.50 crore had not been bifurcated as USL for crediting to the CFI till November 2005. The Department accepted the facts.

2.6.30 USL revenue share was incorrectly apportioned

In six CCAs, viz., Ahmedabad, Bhopal, Cuttack, Hyderabad and Lucknow {for UP (East) and UP (West) service areas} revenue shares between licence fees and USL were not correctly classified, which resulted in short accountal of revenue share of Rs 5.67 crore as USL for crediting to the CFI. DoT accepted the audit observation and agreed to take remedial action (February 2006).

2.6.31 Figures of revenue shares as per the records of the Licencing Finance Wing and the Accounts Wing did not match

A comparison of the figures of revenue shares collected as per the records maintained by the LF Wing and the books of accounts maintained by the Accounting Wing showed the following discrepancies:

Year	Revenue share (including USL & Entry Fees)		Difference
	As per LF Wing	As per Accounts Wing	
2001-02	5621.09	6238.26	(-) 617.17
2002-03	5260.59	4827.34	433.25
2003-04	7911.89	8420.57	(-) 508.68
2004-05	6807.71	6815.51	(-) 7.80
Total	25601.28	26301.68	(-) 700.40

Audit observed that these differences in the figures of revenue shares had not been reconciled by DoT till November 2005. DoT accepted the audit observation and agreed to take remedial action (February 2006).

2.6.32 Outstanding dues on spectrum charges and licence fee were not realized

NTP 99 envisaged the realization of spectrum charges from all users, but DoT did not levy these charges on Central Government Ministries and Departments till June 2004. Audit observed that as of November 2005, demands were finally raised on five entities, viz., Customs and Central Excise Department, Directorate of Logistics, Director General, Lighthouse and Lightships, Director, Police Telecommunications under the Ministry of Home Affairs and Prasar Bharati Corporation. Demands could not be raised in respect of others due to lack of updated details regarding their network usage. Audit observed that payment had been received only from the Director, Police Telecommunications.

Out of a total demand of Rs.241.60 crore raised against the above five organizations, Rs 221.47 crore and Rs 8.98 crore related to Prasar Bharati (Doordarshan and All India Radio). A final decision on Prasar Bharati Corporation's request (August 2004) for exemption from payment of Rs.230.45 crore is yet to be taken (November 2005).

Further it was observed that DoT had not collected the licence fee from MTNL for the period from August 1999 to March 2001 amounting to Rs 520.49 crore owing to a dispute on the applicability of revenue sharing regime to them. Interest of Rs.657 crore was also leviable on the above amount.

2.7 CONCLUSION

The introduction of the New Telecom Policy in 1999 marked a major policy shift in the telecom sector since it initiated the revenue sharing regime in the grant of licences to telecom operators. This policy shift paved the way for rapid expansion of public telecom services, with competitive tariffs, benefiting consumers and resulting in significant increases in revenue for the Government. The policy also envisaged realisation of spectrum fees from Central Government departments and

organizations, besides the need for efficient usage of spectrum in view of the growing demand for spectrum amongst the service providers. As brought out in the above report, mechanisms to verify the AGRs based on which revenue to Government was realized were inadequate, financial conditions were not communicated to MTNL on time, coordination and verification procedures required to ensure the correctness of spectrum charges collected was absent, there were inconsistencies in the allocation of spectrum and lack of a proper database to monitor the allocation and use of spectrum. DoT needed to address all these issues adequately in order to improve their system of revenue management and achieve the objectives contained in their policies for the telecom sector.

RECOMMENDATIONS

- Roll-out obligations for all services should include the criteria of geographical coverage as this would facilitate accomplishment of the Government's policy of universal accessibility of telephones.
- DoT should pay greater attention towards verifying the correctness of AGR statements submitted by the service providers. DoT should strengthen its revenue collection process as well as its monitoring mechanism and should conduct special audits of licensees' books of accounts on a sample basis for checking the authenticity of their Adjusted Gross Revenue statements.
- DoT should take immediate action to realize the outstanding dues from MTNL.
- DoT should prescribe proper time schedules for utilisation of additional spectrum allotted beyond the minimum eligibility level
- Clearance of all outstanding dues against an operator should be made mandatory before allocation of additional spectrum.
- DoT should have a policy of withdrawal of spectrum from GSM licensees in cases of non utilization/under utilization.
- DoT should properly maintain and regularly update its records concerning frequency usages and consequent spectrum use by all network users, renewal of their licenses and FBGs to ensure proper collection and accounting of spectrum related dues.
- Results of verification of AGRs done by the LF Wing should be communicated to the WPC /WPF wings for appropriate levy of spectrum charges.
- DoT should introduce a proper MIS between the WPC wing and the monitoring stations for better frequency management and also to facilitate curbing of illegal /unauthorised use of wireless networks.
- DoT should take prompt decisions/corrective measures on all infringement reports.
- DoT should expedite the implementation of the National Radio Spectrum Management and Monitoring System.

Appendix- 1
(Para 2.1)

**Detailed list of sources/services from which revenue is being earned by the
Department of Telecommunications**

Sl. No.	Name of Service	Entry fees	Licence fees	USL	Remarks
1	Basic Service including WLL Service	One time Entry fees	On the basis of revenue sharing at the percentage fixed by DoT	5% of Adjusted Gross revenue	The rates of licence fees (including USL) were 8, 10 and 12 <i>per cent</i> up to 31 March 2004. From 1 April 2004, the rate of licence fees was reduced by 2 <i>per cent</i> .
2	Cellular Mobile Telephone Services	One time Entry fees	On the basis of revenue sharing at the percentage fixed by DOT	5% of Adjusted Gross revenue	The rates of licence fees (including USL) were 8, 10 and 12 <i>per cent</i> up to 31 March 2004. From 1 April 2004, the rate of licence fees was reduced by 2 <i>per cent</i> and another 2 <i>per cent</i> was reduced for those companies operating the first two cellular licences in the circle areas for a period of 4 years from 1 April 2004.
3	National Long Distance	One time entry fees of Rs.100 crore	Licence fees in the form of revenue share at 10 <i>per cent</i>	5% of Adjusted Gross revenue	
4	International Long Distance	Only one time entry fees of Rs.25 crore	licence fees	5% of AGR	
5	Infrastructure Provider I	Mere registration required.	No licence fees		
6	Infrastructure Provider II	No entry fees	Licence fees in form of revenue share at 10 <i>per cent</i>	5% of Adjusted Gross revenue	Licence fees were further amended to 6 <i>per cent</i> of AGR with effect from 29 June 2004.
7	Radio Paging	One time entry fees	Licence fees in form of revenue share at fixed by DOT	5% of Adjusted Gross revenue	
8	VSAT Service	One time entry fees	Licence fees in form of revenue share at 10	5% of Adjusted	Captive VSAT, the licence fees are Rs 10,000 per

Sl. No.	Name of Service	Entry fees	Licence fees	USL	Remarks
			<i>per cent</i>	Gross revenue	VSAT per annum.
9	Internet Service		No licence fees payable up to October 31, 2003, thereafter a token licence of Rs 1 per annum.		
10	Public Mobile Radio Trunking Service	No entry fees	Licence fees in the form of revenue share	5% of Adjusted Gross revenue	
11	Voice Mail/ auditex/ UMS	No entry fees	No licence fees		The licensee is required to provide a Performance Bank Guarantee of Rs 3 lakh per licence and to pay levy towards USO from date of licence No separate licence for those having licences for basic or cellular mobile telephone service. The revenue earned by these operators through this service is to be counted towards the revenue for the purpose of paying licence fees.

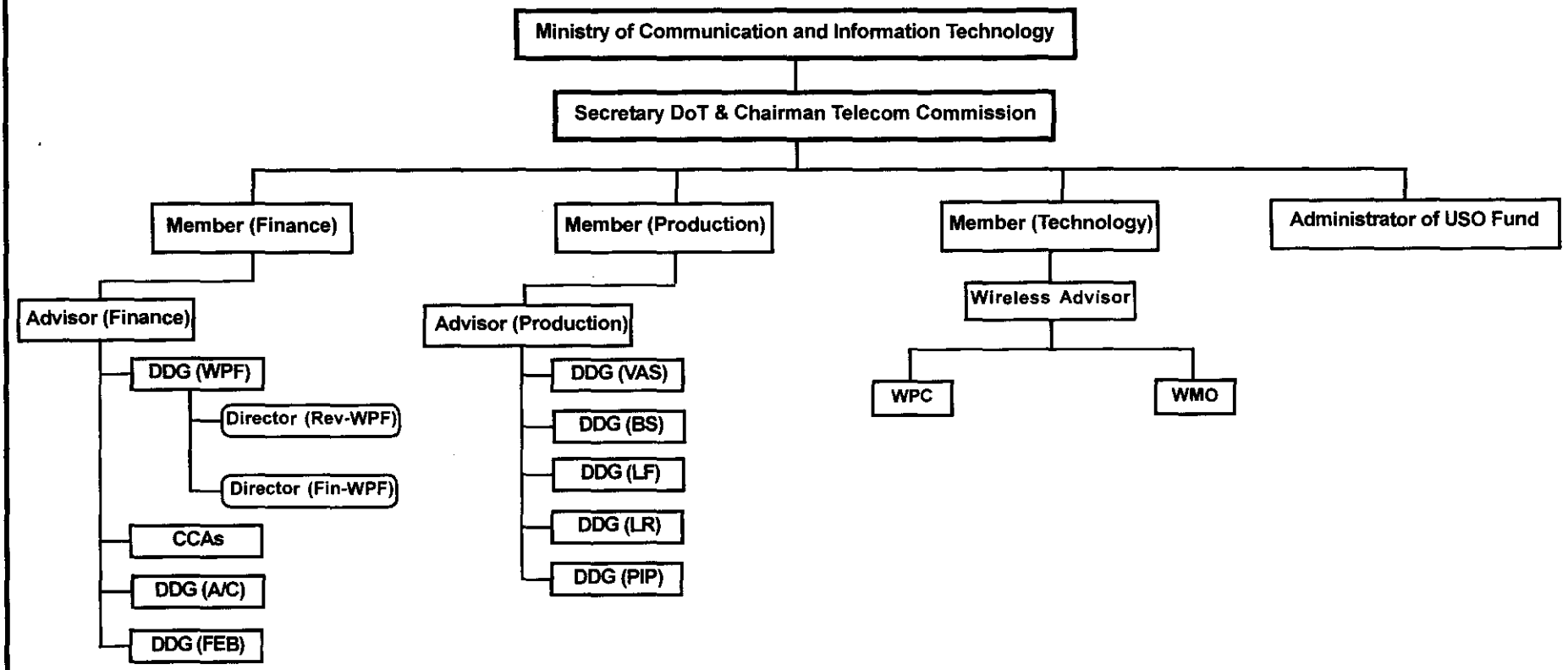
Appendix 2
(Para 2.1.3)

Sl No	Nature of Service / License	Number of licensees
1	Basic Services / Universal Access Services License	59
2	Cellular Mobile Telephone Services	78
3	Public Mobile Radio Trunk Services	42
4	Captive very small aperture terminals (VSAT)	17
5	Commercial VSAT	10
6	Voice Mail Service/Audio Tex / UMS Service	29
7	National Long Distance Service	4
8	International Long Distance Service	5
9	Infrastructure Providers I	85
10	Infrastructure Providers II	7

Appendix-3

Para 2.2.1

ORGANISATION CHART OF DEPARTMENT OF TELECOMMUNICATION



Appendix 4
(Para 2.6.7)

Statement showing the short penal interest and interest thereon for 2002-03 & 2003-04

(Rs in lakh)

Sl. No.	Name of Company	Name of Circle	Amount	Due date/ Payment date	Interest leviable	Interest levied	Difference	Interest upto 31.03.05	Total (8+9)
1	2	3	4	5	6	7	8	9	10
2002-03									
1.	Aircell Digilink	Haryana, Rajasthan and U.P (East)	296.29	25/3/2003/ 22/4/2003	7.83	3.89	3.94	1.34	5.28
2	BPL	Mumbai	1239.50	25/3/2003/ 20/6/2003	66.37	49.44	16.92	5.16	22.08
3	Bharti Mobile	Andhra Pradesh, Himachal Pradesh, Karnataka	299.93	25/3/2003/ 15/4/2003	3.94	0	3.94	1.41	5.35
4	Raliance Telecom Ltd	Bihar and West Bengal	30.55	25/3/2003/ 15/4/2003	0.40	0	0.40	0.14	0.54
5	Data Access	ILD	444.29	25/3/2003/ 15/4/2003	80.66	75.25	5.41	0.89	6.30
6	Escotel	Uttar Pradesh (West)	375.95	25/3/2003/ 15/4/2003	15.00	9.93	5.07	1.63	6.70
7	Bharti cellular	Kerala, Kolkata, Madhya Pradesh, Mumbai and Tamilnadu	94.90	25/3/2003/ 15/4/2003	1.25	0	1.25	0.44	1.69
8	HECL	VSAT	287.41	25/3/2003/ 30/6/2005	110.77	105.61	5.16	0	5.16
9	Tata Teleservices	Andhra Pradesh, Gujarat	454.59	25/3/2003/ 29/5/2003	16.85	10.74	6.11	2.02	8.13
Total									61.23
2003-04									
10	Idea Cellular	Delhi, Gujarat and Maharashtra	236.44	25/3/2004/ 15/4/2004	6.25	0	6.25	2.18	8.43
11	Hutchison Essar	Delhi	95.08	25/3/2004/ 15/4/2004	2.51	0	2.51	0.39	2.90
12	BPL	Mumbai	63.71	25/3/2004/ 7/5/2004	2.46	1.63	0.83	0.33	1.16
13	Bharti Mobile	Andhra Pradesh, Karnataka and Punjab	811.84	25/3/2004/ 15/4/2004	20.77	0	20.77	3.09	23.86
14	Tata Tele services	Andhra Pradesh, Delhi, Karnataka and Tamil Nadu	761.86	25/3/2004/ 15/4/2003	9.68	0	9.68	1.58	11.26
		Gujarat	248.08	25/3/2004/ 30/3/2004	3.15	0	3.15	0.52	3.67
Total									51.28
Grand Total (2002-03 + 2003-04)									112.51

Appendix 5
(Para 2.6.7)

Loss of interest due to non-accountal of LF dues from 10 days in advance of the commencement of quarter for the period 15-09-99 to 31-03-02

(Rs in lakh)

Sl.No.	Name of the Company	Service Area	Amount
1	Aircel Digital India Ltd.	Rajasthan, UP-East	10.27
2	Idea Cellular Ltd.	Gujarat, Maharashtra and Andhra Pradesh	91.58
3	Reliance Telecom Ltd.	Assam, Bihar, Himachal Pradesh., Madhya Pradesh., North East, Orissa and West Bengal	34.15
4	Escotel Mobile Comm. Ltd.	UP-West, Haryana, Kerala	40.15
5	BPL Mobile Cellular	Maharashtra, Tamil Nadu, Kerala and Mumbai	95.01
6	Hexacom India Ltd.	Rajasthan	6.81
7	Fascel Ltd.	Gujarat	31.38
8	Bharti Mobinet Ltd.	Chennai, Andhra Pradesh, Delhi, Kolkata and Karnataka	101.63
9	Aircel Ltd.	Tamil Nadu	31.67
10	Usha Martin Telecom Ltd.	Kolkata	17.32
11	RPG Cellular Service Ltd	Chennai	14.23
12	BTA Cellcom	MP	4.28
13	Sterling Cellular Ltd.	Delhi	35.42
14	Hutchison Max Telecom Pvt. Ltd.	Mumbai	40.96
	Total		554.86

Appendix 6
(Para 2.6.8)

Outstanding dues and interest accrued thereon in the cases of CDMA service providers due to non completion of financial settlement

(Rs. in lakh)

Sl. No	Name of operator	Service area	Period of accounts	Principle amount outstanding on account of CDMA spectrum dues	Interest on delayed payment	Penalty @ 150%
1	Reliance Infocomm Ltd.	Bihar, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Mumbai, Orissa, and Rajasthan	2003-05	318.84	32.47	0
2	Bharti Infotel Ltd	MP	2003-05	73.64	17.39	0
3	HFCL	Punjab	2003-05	24.14	8.86	0
	HFCL	Punjab	2003-04	0	0	69.13
4	MTNL	Delhi & Mumbai	2003-04	491.03	0	736.55
Total				907.65	58.72	805.68

Grand Total: Rs.17.72crore

Appendix 7
(Para 2.6.9)

Outstanding dues and interest accrued in the cases of CUG VSAT service providers, due to non completion of financial settlement

(Rs. in lakh)

Sl. No	Name of Service Provider	Principle outstanding	Interest outstanding	Total
1	TVC India Ltd.	22.14	4.34	26.48
2	ITI Ltd.	1.40	0.18	1.58
3	Gujrat Narmada Vally	1.42	1.53	2.95
4	Hugles Escort	95.80	39.48	135.28
5	Bharti Infotel Ltd.	0.67	1.80	2.47
6	Tata Tele Service	5.44	0.59	6.03
7	M/s Comset Max Ltd	55.19	21.94	77.13
Total		182.06	69.86	251.92

Appendix 8
(Para 2.6.15)

Allocation of additional spectrum to CMTS operators in spite of demands outstanding

(Rs in crore)

Sl. No.	Name of operator	Name of service area	Date of allocation of additional spectrum	Additional spectrum allocated	Period of outstanding dues at the time of allocation of additional spectrum	Outstanding dues at the time of allocation of additional spectrum
1	BPL Cellular Ltd.	Mumbai	13.01.03	1.8 MHz (above already allocated 6.2 MHz to make total 8MHz)	31.12.03	11.35
2	BPL Cellular Ltd.	Mumbai	06.09.04	2 MHz (above already allocated 8 MHz to make total 10MHz)	31.08.04	10.12
3	Fascel Limited (Hutch)	Gujarat	14.11.03	1.2 MHz (above already allocated 6.2 MHz to make total 7.4MHz)	31.10.03	0.88
4	Fascel Limited (Hutch)	Gujarat	13.05.05	2.4 MHz (above already allocated 7.4 MHz to make total 9.8MHz)	30.04.05	3.04
5	BPL Cellular Ltd.	Andhra Pradesh	09.01.04	1.6 MHz (above already allocated 6.2 MHz to make total 7.8 MHz)	31.12.03	1.07
6	Bharti Cellular Ltd	Delhi	17.07.02	1.8 MHz (above already allocated 6.2 MHz to make total 8 MHz)	30.06.02	3.18
7	Bharti Cellular Ltd	Delhi	17.07.03	2 MHz (above already allocated 8 MHz to make total 10 MHz)	30.06.03	20.68
8	Bharti Telenet Ltd	Himachal Pradesh	19.09.03	1.8 MHz (above already allocated 4.4 MHz to make total 6.2 MHz)	31.08.03	0.95
9	Bharti Mobile Ltd	Karnataka	09.01.04	1.6 MHz (above already allocated 6.2 MHz to make total 7.8 MHz)	31.12.03	2.79
10	Bharti Cellular Ltd	Kolkata	24.01.05	1.8 MHz (above already allocated 6.2 MHz to make total 8 MHz)	31.12.04	0.57
11	Bharti Cellular Ltd	Mumbai	21.04.04	1.8 MHz (above already allocated 6.2 MHz to make total 8 MHz)	31.03.04	2.82
12	Bharti Cellular Ltd	Punjab	09.02.04	1.6 MHz (above already allocated 6.2 MHz to make total 7.8 MHz)	31.01.04	4.78
13	Hutchison Essar South Ltd	Karnataka	22.01.05	1.8 MHz (above already allocated 6.2 MHz to make total 8 MHz)	31.12.05	1.79
14	Hutchison Max Tele Ltd.	Mumbai	17.07.02	1.8 MHz (above already allocated 6.2 MHz to make total 8 MHz)	30.06.02	7.53
15	Hutchison Max Tele Ltd.	Mumbai	17.07.03	2 MHz (above already allocated 8 MHz to make total 10 MHz)	30.06.03	1.55
16	Idea Cellular Ltd.	Gujarat	31.12.03	1.2 MHz (above already allocated 6.2 MHz to make total 7.4 MHz)	30.11.03	0.55
17	Reliance Telecom Ltd.	Assam	06.10.03	1.8 MHz (above already allocated 4.4 MHz to make total 6.2 MHz)	30.09.03	0.29
Total						73.94

Appendix 9
(Para 2.6.17)

Statement showing under utilization of spectrum earmarked to operators

Sl No.	Service area	Operator	Date of earmarking of 6.2MHz spectrum straightaway	Period during which the operator registered subscriber base of 3 lakh*	No. of months for which spectrum remained under utilized
1	Bihar	Bharti	06.05.2004	Aug'2005	15
2	Orissa	Bharti	06.05.2004	Subscriber base only 224256 upto Sep'2005	16
3	UP (East)	Bharti	06.05.2004	Jun' 2005	13

Appendix 10
(Para 2.6.19)

Statement showing delay in site clearances by SACFA

Year	No. of application to SACFA for site clearance	No of cases cleared during the year	No. of cases dropped	No. of cases pending	Remarks
2003	12160	10111	1827	222	(Cleared after April 2005)
2004	22619	10715	-	11904	-
2005 (Upto March 2005)	17644	66	-	17578	-

Appendix 11
(Para 2.6.20)

List of outstanding amounts in respect of Radio Paging Service providers

(Rs. in lakh)

Sl. No.	Name of Service Provider	Area of operation	Outstanding as on	Amount	Remarks
1	M/s DSS Mobile Communications Ltd.	Mumbai, Bangalore, Pune, Hyderabad, Delhi, Calcutta, Chennai, Ahmedabad, Lucknow, Kanpur	31.12.03	365.56	DoT did not raise demand for 2004-05
2	M/s RPG Paging Services Ltd.	Ahmedabad, Delhi, Madras	31.12.03	213.71	DoT did not raise demand for 2004-05
3	M/s Modi Telecommunications Ltd.	Chandigarh, Jaipur, Lucknow, Kanpur, Varanasi, Chennai, Calcutta	31.12.03	168.03	DoT did not raise demand for 2004-05
4	M/s Microwave Comm. Ltd.	Mumbai, Vadodara, Ahmedabad, Calcutta, Delhi, Rakot, Surat	31.12.03	88.79	DoT did not raise demand for 2004-05
5	M/s Matrix Paging(I) Ltd.	Mumbai	31.12.03	78.76	DoT did not raise demand for 2004-05
6	M/s ABC (I) Ltd.	Delhi, Jaipur, Varanasi, Amritsar, Ludihana, Chandigarh, Kanpur	31.12.03	50.49	Main DoT License expired on 24.6.04 However the matter is subjudice
7	M/s Easy Call Comm. (I) Pvt. Ltd	Calcutta, Nagpur, Bhopal, Hyderabad, Indore, Vizag, Patna	31.12.03	46.19	DoT did not raise demand for 2004-05
8	M/s India Paging Services Ltd.	Kerala, Tamil Nadu and Karnataka	31.12.04	14.10	DoT did not raise demand for 2004-05
9	M/s Beltrom Telecommunication Ltd.	Ludhiana, Amritsar, Patna, Surat, Nagpur, Varanasi	December 2003	7.92	DoT did not raise demand for 2004-05
10	M/s Page Point Services (I) Pvt Ltd.	Pune, Hyderabad	26.10.04	4.56	DoT did not raise demand for 2004-05
11	M/s Nice (I) Ltd	Nagpur	11.9.03	1.28	DoT did not raise demand for 2004-05
Total I (Existing Service Providers)				1039.39	

12	Tele systems India Pvt. Ltd.	Madras, Ernakulam, Bangalore, Madurai, Coimbatore, Trivandrum	31.12.04	45.21	Frequency withdrawn w.e.f. 25.6.04
13	M/s BPL Wireless Telecom Service Ltd.	Ernakulam, Trivandrum	31.12.04	37.06	Frequency withdrawn w.e.f. 28.7.04
14	Punwire Paging Service Ltd.	Punjab, HP, Haryana Amritsar	21.9.01	32.06	Frequency withdrawn w.e.f. 21.9.01
15	Page Point Services (I) Pvt. Ltd.	Mumbai, Bangalore	08.07.04	7.23	Frequency withdrawn w.e.f. 8.7.04
16	M/s Matrix Paging (I) Ltd.	Pune, Rajkot, Vadodara, Surat	20.7.04	1.79	Frequency withdrawn w.e.f. 21.7.04
Total II (Frequencies withdrawn)				123.35	
Grand Total (I + II)				1162.74	

Appendix 12
(Para 2.6.21)

Non realization of Financial Bank Guarantees

(Rs. in lakh)

Sl. No.	Name of Service Provider	Type of Service	Amount of Financial Bank Guarantee to be realized
1.	TVC India Ltd	V-SAT	12.50
2.	Hughes Escort Comm	V-SAT	119.77
3.	ITI Ltd.	V-SAT	3.42
4.	Bharti	V-SAT	100.39
5.	HCL Comnet	V-SAT	108.71
6.	Comset Max Ltd.	V-SAT	97.16
7.	Essel Shyam	V-SAT	39.75
8.	Tata Teleservices	V-SAT	16.83
9.	Gujrat Narmada	V-SAT	1.03
10.	HFCL	CDMA	77.20
Total			576.76

Appendix 13
(Para 2.6.25)

**Loss of revenue due to inaction on infringement reports as pointed out by
Engineer in charge (Inspection)**

SI No	Name of licensee	Date of inspection	Objection made by the officer in-charge
1	Transmetals Ltd. Baroda	7.9.01	Licence was valid upto 30.4.99 Motorola GM300 equipment was being used instead of GTL
2	Raymon Glass & chemicals Vadodara	7.9.01	Licence was valid upto 28.2.96
3	Gas Authority of India Ltd. Baroda	5.9.01	Using different type of equipment other than but shown in licence
4	Bharat Starch Ind. Baroda	6.9.01	Licence renewed up to 31.7.01
5	Shah Engineering Co. Baroda	7.9.01	Licence valid up to 30.9.99 System dismantled but not surrendered
6	Gujarat Containers Ltd. Baroda	7.9.01	Licence valid up to 30.4.95 System dismantled but not surrendered
7	Saya Amusement Mfd. Ltd. Ahmedabad.	2.6.02	Licence valid up to 31.5.2000 System dismantled but not surrendered
8	Air India Ltd. Mumbai	25.6.02	Operating 9+1 VHF sets in place of 5+1 VHF sets
9	RPG paging Service	26.6.02	Licence was valid upto 31.12.97
10	DSS Mobile Communication Ltd. New Delhi	9.7.02	Licence valid up to 24.7.96 Additional fifteen base stations were operating for about 4 years without operating licence
11	Microwave Communication, New Delhi	8.7.02 21.12.04	Additional base station set up without approval and operating licence expired on 18.1.94
12	Ahmedabad Electricity Co.	14.2.02	Using 26+4 unauthorised stations
13	The Transport manager AMTS Ahmedabad.	13.2.02	Using 3 unauthorized fixed stations at Jamalpur.
14	Eureka India Ltd. Ahmedabad	21.2.02	Licence valid upto 31.12.2000
15	Gujrat Telephone Cables Ltd. Ahmedabad	21.2.02	Licence valid upto 31.5.97
16	Satyam Infoway Ltd. New Delhi	9.8.04	Validity of licence expired. As against allotted frequency band of 5792.5 MHz to 5807.5 MHz frequency of 5808MHz was unauthorizedly used. Further out of 4 links being operated, 3 links were found to be unauthorized.
17	Gujarat state Petroleum Corporation, Gandhinagar	13.7.04	Wireless links were being used without operating licence.
18	Gujarat Mineral Development Corporation	19.8.04	Licence expired on 31.12.03

19	Doordarshan Kendra	188.8.04	8 fixed stations were found active without licence
20	Joint Director Custom and Central Excise	5.8.04	1 VHF fixed station found active without licence
21	Gujarat Institute of Education Technology	21.10.04	2.4GHz wireless data transceiver found active without operating licence
22	Cadila Healthcare Ltd.	18.10.04	Of the 6 stations found active, 2 were operating without licence.
23	Troika Pharmaceuticals Ltd.	15.10.04	Equipments were transferred and added with another inter connect unit for telephone utilization and interconnectivity without authorization.
24	Tata Teleservices Ltd.	19.11.04	Operating licence was for 19 CDMA BTs whereas 29 were found active. Licence for only 13 BTs was authorized whereas 27BTs were having Microwave antennas. Licence expired on 30.9.04
25	Arvind Mills	16.12.04	The transceivers equipments were not of authorized make.
26	Communication officer Danapith Fire Station 'A'	26.4.05	As against 65 licenced stations, 354 stations were found to be active. The validity of licence expired on 31.12.2000. As against 31 licenced stations, 104 stations were found to be active. Validity of license expired on 31.12.80.
27	Ahmedabad Municipal Corporation	26.4.05	As against 400 licenced stations, 450 paging stations were being used. Operating licences had expired.

Note: No action was taken in any of these cases.