

GOVERNMENT OF ANDHRA PRADESH
INFRASTRUCTURE & INVESTMENT DEPARTMENT

Short Discussion on "Corruption in State Fibernet Limited" in Legislative Assembly on Tuesday the 26th September, 2023.

A note on the subject matter as submitted by the APSFL is as follows

A. Introduction

- The APSFL has been incorporated under the Companies Act 2013, during October 2015 as a fully owned entity of Govt. of AP, under the control of Infrastructure and Investment (I & I) department.
- Prior to this, it was functioning in the name of Infrastructure Corporation of Andhra Pradesh Limited (INCAP).

B. DPR Prepared by

Following are the key items which were planned for procurement through this tender.

1. Optical Fiber Cable (OFC) and its accessories **(A-1)**
 2. IP-MPLS routers, with SFPs **(A-2)**
 3. Transmission equipment (DWDM) **(A-3)**
 4. Optical Line Terminals (OLTs) **(A-4)**
 5. Setting of Network Operating Centre (NOC) **(A-5)**
 6. Support infrastructure like Generators, UPS, etc. **(A-6)**
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- Govt vide G.O.RT.No.52, Infrastructure & Investment Department Dated: 22.04.2015, has permitted INCAP to on board consulting agencies. **(A -7)**
 - In this connection, INCAP vide Lr.No. INCAP (AP)/Optic Fibre Grid/62/2014, Dated:05.05.2015, issued Letter of Intent to M/s PwC for providing technical consultancy support to INCAP. M/s PwC has prepared the detailed Project Report.
 - In order to execute this work, a Detailed Project Report (DPR) **(A-8)** was prepared in June, 2015 without taking the prevailing market rates for consideration and other key relevant factors.
 - The estimate cost was arrived as INR 333 crores by M/s Price water house Coopers (PwC), who was awarded on nomination basis by VC & MD, INCAP. The DPR was submitted to Govt. for its approval. Subsequently, an administrative order was issued vide G.O.Ms.No.10, Infrastructure & Investment (OP.I) Department, dated August 26, 2015 by Secretary to

Government, after obtaining the approval of the concerned Minister and ordered the VC&MD, INCAP, to implement the requirements.

C. Opening of Tender

The tender was floated on July 07, 2015, vide "e"NIT.No.INCAP(AP)/P/Optical Fiber Grid/62/2014 on e-procurement platform and the received bids were opened on August 07, 2015.

D. Technical Evaluation

- Technical Committee meeting was conducted on August 11 and 12, 2015 and the commercial bid was also opened on 12th August 2015.
- As per G.O.Ms.No.10 Dated:26.08.2015 **(A-9)**, the Tender Evaluation Committee meeting was held on 14.09.2015 and High Level Tender Approval meeting was conducted on September 16, 2015 and tender was awarded on September 26, 2015.

a. Details of Blacklisting and its revocation

- M/s Tera Software Ltd. was blacklisted for a period of one year, w.e.f 11.05.2015 by MD, APTS vide letter No. APTS/HWP1/AP/8013/AEPDS/2014/ TSL, dated 06.08.2015 **(A-10)**.
- M/s Tera Software Ltd. was removed from the blacklist with effect from 01.08.2015 by APTS (vide letter No.APTS/HWP1/AP/8013/AEPDS/ 2014/TSL Dt: 06.08.2015) **(A-11)** whereas the bid opening for this RFP was scheduled on 07.08.2015.
- Shri Vemuri Hari Krishna Prasad, who has been appointed to the Governing Council eGovernance Authority, Electronics & IT Agency, Innovation Society vide G.O.RT.No. 63 Dated 04.05.2015 **(A-12)** was a Director in Tera Media Cloud Solutions Ltd, whose name got changed to Intiquial Technologies Limited on 21.06.2018. He was a member in Technical Evaluation committee of APSFL and also was holding a Director post in Tera Media Cloud Solutions Limited till 8th September 2015. On completion of Technical evaluation on 12.08.2015, he resigned as a Director of the Tera Media Cloud Solutions Limited w.e.f 08.09.2015.**(A-13)**
- M/s Tera Software Ltd. was blacklisted for a period of one year, w.e.f 11.05.2015 by MD, APTS vide letter No. APTS/HWP1/AP/8013/AEPDS/2014/ TSL, dated 06.08.2015 and the blacklisting was revoked by an officer below the rank of MD, APTS on 06-08-2015 against the provisions in Annexure II section 6 of G.O.Ms.No.94 Dated:01.07.2003 **(A-14)** which is replicated below:

*"Upgrading a demoted contractor revoking the suspension of business, restoring registration, withdrawal of blacklisting etc., may be considered at an appropriate time on the merits of each case **by the authority who has passed the original orders**. Copies of restoration orders should also be furnished to the concerned administrative department of the Government".*

b. Observations of then MD, APTS

- Mr. Sundar who was the then MD, APTS informed the Technical Committee on 19.08.2015 **(A-15)** that M/s Tera Software was under blacklist till a day before bid opening and highlighted adverse remarks on the performance and efficiency of *M/s Tera Software Ltd.*, but no heed was paid to this by the concerned authorities.
- Mr. Sundar who made the observation on M/s Tera software to Technical Committee on 19.08.2015 was transferred and the Govt, vide G.O.RT.No. 2716 Dated:07-09-2015 **(A-16)**, posted Sri G.S.Phani Kishore, IRS (1992), IRS, who is waiting for posting, as Special Secretary to Government, Information Technology, Electronics and Communications Department and Managing Director, A.P. Technology Services (APTS). The Member of Service has assumed the charge of the said post on 25.08.2015 F.N.

C. Consortium partners, change after opening from 3 members to two members

INCAP sent a mail to M/s Tera Software Ltd., on August 10, 2015 **(A-17)** asking for change in Consortium and documents to demonstrate Technical eligibility, as against the Eligible Criteria of RFP Note (2) which states that *No correspondence shall be allowed from the bidder after the opening of the bid documents.*

- i. The Consortium Agreement submitted along with the bid was having 3 members and the agreement was valid for a period of three (3) years.
- ii. During the evaluation, the consortium was altered from three members to that of two members, as one of the three was not eligible as per the criteria defined in RFP. Moreover, all activities mentioned under the third member were not duly included in the scope of either of the remaining members.
- iii. As per G.O.Ms.No.10, the Legal Advisor, Mr. Shiva Rao was a member of the Technical Evaluation Committee, who had given the legal opinion to revise the 3-member consortium to 2 members, which doubts the integrity of the Technical Evaluation Committee.

E. Complaint by Pace Power Systems (To VC&MD, INCAP & Chairman, INCAP)

- During the evaluation, M/s Pace Power System vide letters (Two complaints) dated 13.08.2015 & 18.08.2015, **(A-18)** raised serious allegation that the experience submitted by M/s Tera Software is false and fabricated document in the name of M/s Signum Digital Network Pvt. Ltd.
- To substantiate their remarks, adequate documentation was also submitted, however, no enquiry or any such was initiated by respective authorities.
- In addition to the complaint by M/s Pace Power System, the purchase order raised to the OEM for the digital head-end, M/s MCBS, by M/s Signum Digital Network Pvt. Ltd. was also provided, but no action was taken on the same. M/s Pace Power System has withdrawn the complaint dt: 29.09.2015

F. High Power Committee

The following were the members of Tender Evaluation Committee and High Level Tender Approval Committee for evaluating the bids received.

Technical Evaluation Committee Members

- VC& MD (INCAP) – Mr.K.Sambasiva Rao, IRTS
- VC & MD, AP Technology Services – Mr. G.Phani Kishore, IRS
- Prof. of ECE, JNTU, Kakinada- K. Padma Raju
- Legal Advisor INCAP – P. Shiva Rao
- CGM (Tech), INCAP – P. SubbarayaSarma
- CGM (F), INCAP – A. Govindappa
- Member, Governing Council, e-Governance authority AP - V.Harikrishna Prasad

High Level Tender Approval Committee Members

- Secretary to Govt, E,I&I, Chairman – Sri Ajay Jain, IAS
- Chairman & MD, AP TRANSCO – Sri K. Vijayanand, IAS
- Secretary (Expenditure), Finance Department – Sri M. Ravichandra, IAS
- Professor of Computer Science and Engineering, Andhra University – Smt. ValliKumari
- VC&MD (INCAP)- Sri. K. Sambasiva Rao, IRTS

G. Approval of the proposal (A-19)

The File was circulated through following for the approval of the proposal on 29.12.2015

- Joint Secretary – Sri Cherukupalli Venkateswarlu.
- Additional Secretary – Sri Pande Rahul.
- Prl Secretary E,I & I Department - Sri. Ajay Jain, IAS.
- The Then Finance Minister– Sri. Yanamala Ramakrishandu.
- The then Chief Minister of Andhra Pradesh & E,I&I Minister –

Sri. Nara Chandrababu Naidu

H. Losses/Financial Loss to Exchequer, as reported by APSFL.

SL.No	Description	Amount																											
1	M/s Tera Software had not installed the FDMS/FDB as per the specifications mentioned in the RFP but had installed LIU's in place of them but have claimed an amount of Rs.1.6 Crores for FDMS/FDB's.	Rs.1,60,00,000/-																											
2	During the O&M activities being carried out by APSFL for delivery of un-interrupted services, the cable would have been replaced due to non-availability of 24F Optical Fiber cable. IBI Stated that approximately 1.5% (375Kms) of the total cable laid was found to be damaged and that has to be replaced is equivalent to Rs.1.05Crs (Rs.28,000/- per km) loss as per the prices submitted by M/s Tera Software Ltd. However, the warranty phase provided by OEM is only for one year which expired on Feb, 2018.	Rs.1,05,00,000/-																											
3	<p>The difference is 91,379 Nos (Rs. 900 per pole) which is equivalent to Rs.8.22Crs as per the prices submitted by M/s Tera Software Ltd <u>as per IBI report copy enclosed</u></p> <p>The same has been confirmed by IBI which stated that, <u>M/s Gemini (PMA) has certified the total no. of pole accessories 3,83,696 Nos are required for establishing the network and was based on assumptions and not on actual field conditions.</u> Whereas IBI has certified that the total accessories required for establishing the network are only 2,92,317 Nos..</p> <table border="1"> <thead> <tr> <th>S.No</th><th>District</th><th>Quantity in No's</th></tr> </thead> <tbody> <tr> <td>1</td><td>West Godavari</td><td>17,288</td></tr> <tr> <td>2</td><td>Guntur</td><td>26,447</td></tr> <tr> <td>3</td><td>Kadapa</td><td>28,891</td></tr> <tr> <td>4</td><td>Chittoor</td><td>33,894</td></tr> <tr> <td>5</td><td>Prakasam</td><td>27,413</td></tr> <tr> <td>6</td><td>Krishna</td><td>24,219</td></tr> <tr> <td>7</td><td>Nellore</td><td>24,532</td></tr> <tr> <td>8</td><td>Visakhapatnam</td><td>19,141</td></tr> </tbody> </table>	S.No	District	Quantity in No's	1	West Godavari	17,288	2	Guntur	26,447	3	Kadapa	28,891	4	Chittoor	33,894	5	Prakasam	27,413	6	Krishna	24,219	7	Nellore	24,532	8	Visakhapatnam	19,141	Rs.8,22,00,000/-
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	9	Kurnool	25,027	
	10	Anantapur	28,348	
	11	East Godavari	17,115	
	12	Vizianagaram	8,582	
	13	Srikakulam	11,420	
	Total		2,92,317	
	<p>The difference is 91,379 Nos (Rs. 900 per pole) which is equivalent to Rs.8.22 Crs as per the prices submitted by M/s Tera Software Ltd.</p> <p>The total no. of poles available on field i.e., 3,75,000 mentioned in RFP/DPR have been arrived using GIS Technologies based on the inputs of SPDCL/EPDCL</p>			
4	<p>A loss of Rs.46Crs (Rs.40Crs- 80% of network is not traceable as termination and proper testing was not done as per RfP+Rs.6Crs non-provision of GIS and ABD tool for tracking the cable as per RfP) occurred due to the un-terminated fiber cable at PoPs due to which LSPM could not be performed.</p> <p>IBI has confirmed the same and stated as per their report submitted</p> <p><i>"That 80% of optical fiber cable was unterminated at PoPs, and LSPM test can only be performed if the optical fiber cable is terminated.</i></p> <p><i>The basic function of the LS-PM test is to ensure continuity, uniformity, and that the sequence of the fibers is maintained across the sections. In the specified RFP, all the 24 cores connectivity is expected to be maintained in 100% sequence and meeting all the fiber specifications. To verify this requirement testing with LS-PM at both ends is required"</i></p> <p>Also M/s IBI stated that</p> <p><i>"As per the PMA & PIA RFPs, complete GIS details had to be uploaded by PIA then PMA had to validate the same.</i></p> <p><i>It was observed that many certifications were not available which are directly related to Quality assurance and critical information related to inventory management/ material utilization (Splice Joint closures, branch joint closures, fiber utilization Etc.).</i></p> <p><i>ABDs were not found to be submitted either by PIA or PMA.</i></p>			Rs.46,00,00,000/-

	<p><i>This, potentially, results in operational difficulties for APSFL Phase-1 deployed network including difficulty in identifying various assets of the network including but not limited to fiber routes, poles, poles accessories, joint enclosure etc."</i></p> <p><i>It was observed that relevant Test Formats as asked in the RFP are not in compliance with the requirements of the RFP.</i></p> <p><i>Most of the fibers at PoPs were found to be unterminated which is not in compliance with the RFP requirement. Thus, the OFC testing and certification of all 24 cores of fiber was not possible.</i></p> <p><i>It was also observed that PMA has not submitted & certified supporting OTDR trace reports as per the requirements of the RFP.</i></p> <p><i>It was observed that at most of the PoP locations, the dark fiber was unterminated and health & continuity verification of all 24 cores of fiber could not have been possible. This is not in line with the requirement of the RFP as per these relevant clauses. Because of this, health status and continuity of the dark cores of fiber was not assessed."</i></p>	
5	<p>As per RfP in Network Implementation sub-clause 1.3 core back bone, it was mentioned under (e) the maximum fiber distance between two PoPs optical line amplifier, as measured by optical time domain meter (OTDR) shall not exceed 70Kms, whereas in APSFL core network including both State and Zonal Rings around 47 links are commissioned with more than 70Kms for which 27 amplifiers would be needed.</p> <p><u>As per Phase-I tender the cost was discovered for 1 OLA was Rs.9,75,925/-</u>. For commissioning of 27 OLA the total amount that would have costed APSFL only Rs.2,63,49,975/-</p> <p>The cost has been discovered as Rs.74,19,783/- as per the <u>latest PO issued</u>. Details of the cost are provided below</p> <ol style="list-style-type: none"> 1. Optical Line Amplifier (OLA) Cost - Rs. 63,64,905/- 2. EMS License Cost - Rs.2,00,000/- 3. One-time implementation Cost - Rs.8,54,878/- 4. Total Cost for 1 OLA - Rs.74,19,783/- 	Rs.20,03,00,000/-

	<p>5. The total cost for 27 OLA - Rs.20,03,34,141/-</p> <p>Since, the work had not been implemented by Tera which resulted in additional cost to be borne by APSFL for deployment of 27 OLA which is costing Rs.20.03 Crs</p>	
6	<p>A report on Gap analysis of the supplied active components in AP Fiber Phase I project is conducted by APSFL where in some features/software is not delivered by Tera as per agreement. Approximately an amount of Rs.8.35 Crores resulted in loss to APSFL</p>	Rs.8,35,00,000/-
7	<p>As per agreement clause B. Network Operations and Maintenance (O&M) vide paras 1.1 (i) page 24</p> <p><i>"The Contractor shall undertake the operations and maintenance of the aerial fiber network infrastructure for a period of one (1) year period commencing immediately after the operational acceptance. Operational Acceptance shall be given on successful completion of full acceptance test (FAT)" for releasing of payments under milestone 7.</i></p> <p>However, payments have been released to an amount of Rs.29.28 Crs as per technical committee and board recommendations without operational acceptance provided by APSFL.</p>	Rs.29,28,00,000/-
	Total	Rs.114,53,00,000/-

GUDIVADA AMARANATH
MINISTER OF INDUSTRIES, INFRASTRUCTURE, INVESTMENT
& COMMERCE, INFORMATION TECHNOLOGY.