

CPU NO. 957

24

TWENTY FOURTH REPORT
COMMITTEE ON PUBLIC UNDERTAKINGS
(2012-2013)

(FIFTEENTH LOK SABHA)

BHARAT SANCHAR NIGAM LIMITED
MINISTRY OF COMMUNICATION AND INFORMATION TECHNOLOGY
(DEPARTMENT OF TELECOMMUNICATIONS)



Presented to Lok Sabha on 30.04.2013

Laid on the Table of Rajya Sabha on 30.04.2013

LOK SABHA SECRETARIAT

NEW DELHI

April 2013 / Vaishakha 1935(S)

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**COMPOSITION OF THE
COMMITTEE ON PUBLIC UNDERTAKINGS
(2012-2013)**

Shri Jagdambika Pal

Chairman

Members, Lok Sabha

2. Shri Hansaraj Gangaram Ahir
3. Vacant*
4. Shri Bansa Gopal Chowdhury
5. Dr. Mahesh Joshi
6. Shri Shailendra Kumar
7. Dr. (Smt) Botcha Jhansi Lakshmi
8. Shri Vilasrao Baburaoji Muttemwar
9. Shri Adhalrao Shivaji Patil
10. Shri Ponnam Prabhakar
11. Shri Rajendrasinh Rana
12. Shri Nama Nageswara Rao
13. Shri Uday Singh
14. Dr. Prabha Kishor Taviad
15. Shri Bhisma Shankar alias Kushal Tiwari

Members, Rajya Sabha

16. Shri Anil Desai
17. Shri Janardan Dwivedi
18. Shri Naresh Gujral
19. Dr. V. Maitreya
20. Shri Mukhtar Abbas Naqvi
21. Shri T.M. Selvaganapathi
22. Dr. Janardhan Waghmare

SECRETARIAT

- | | |
|---------------------------|---------------------|
| 1. Shri A. Louis Martin | Joint Secretary |
| 2. Shri M. K. Madhusudhan | Additional Director |
| 3. Shri Yogendra Singh | Committee Officer |

* Vacancy caused due to passing away of Shri Ambica Banerjee, M.P. on 25 April, 2013.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2012-13), having been authorized by the Committee to submit the Report on their behalf, present this 24th Report on Bharat Sanchar Nigam Limited (BSNL).

2. The Committee took evidence of the representatives of BSNL on 25th August, 2010 and that of the Ministry of Communication & Information Technology (Department of Telecommunications) on 21st September, 2010. Thereafter, the Committee took further evidence of the representatives of BSNL and that of Ministry of Communication & Information Technology (Department of Telecommunications) on 16th November and 11th December, 2012 respectively.

3. The Committee considered and adopted this Report at their sitting held on 26th April, 2013.

4. The Committee wish to express their thanks to the representatives of the Bharat Sanchar Nigam Limited and Ministry of Communication and Information Technology (Department of Telecommunications) for tendering evidence before them and furnishing the requisite information to them in connection with the examination of the subject. The Committee would also like to place on record their appreciation for the assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in Part-II of the Report.

**New Delhi:
29 April, 2013
09 Vaisakha, 1935 (Saka)**

**SHRI JAGDAMBIKA PAL
Chairman,
Committee on Public Undertakings**

PART – I**BACKGROUND ANALYSIS****CHAPTER – I****HISTORICAL BACKGROUND**

In pursuance of New Telecom Policy 1999, Government of India decided to corporatize the service provision functions of Department of Telecommunications (DoT). Consequently, Department of Telecom Services (DTS) and Department of Telecom Operations (DTO) concerned with providing telecom services in the country and maintaining the telecom network/telecom factories were separated and carved out of the Department of Telecommunications as a precursor to Corporatization. On 15.9.2000, Bharat Sanchar Nigam Limited was incorporated with the main objective to acquire or take over the management, control, operations and maintenance of communication networks etc. from the DTS and DTO along with all assets and liabilities including contractual rights and obligations.

1.2 Accordingly, by virtue of an Memorandum of Understanding (MoU) dated 30.9.2000 entered into between the President of India [acting through the Secretary to the Government of India, Ministry of Communications (Department of Telecommunications (DOT)) and Bharat Sanchar Nigam Limited, the business of providing telecom services in the country, maintaining the telecom network/running the telecom factories were taken over by the Bharat Sanchar Nigam Limited with effect from 1 October 2000, on a going concern basis, at a provisional consideration of Rs. 63000 crore.

1.3 Bharat Sanchar Nigam Limited is engaged in the business of providing all type of telecom services across the length and breadth of the country, except in the metro districts of Delhi and Mumbai. Bharat Sanchar Nigam Limited, being the successor / assignees of the erstwhile Departments of Telecom Services and Telecom Operations had acquired and taken over the management, control, operations and maintenance of

communications network, manufacturing and other facilities of these departments along with the assets and liabilities including contractual obligations. Thus, BSNL is providing telecom services, operation, maintaining, upgrading and modernizing the existing communication systems and networks and also engaged in planning and establishing the future communication systems and network in the country. BSNL is also actively engaged in bridging the digital divide by providing rural telephony.

CHAPTER – II
FINANCIAL MATTERS

(a) FINANCIAL PERFORMANCE

It is observed from the information furnished to the Committee that the BSNL which had been making huge profits till the year 2004-05, has gradually slid to incur huge losses as evident from the following figures:

Net profit loss of BSNL year wise (Rs. in crores)

Year	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Net Profit/Loss	10183	8940	7806	3009	575	-1823	-6384	-8851

3.2 When asked about the details of financial performance of the Company during the past five years (2007-08 to 2011-12), the DoT in its written reply stated as under

(Rs. in crores)

Sl no	Parameters	2007-08	2008-09	2009-10	2010-11	2011-12
1	Total Income	38,053	35,812	32,045	29,688	27,934
1(a)	Operational Income	32,842	30,269	27,914	27,045	25,999
1(b)	Other Income	5,211	5,543	4,131	2,643	1,935
2	Total Expenditure	33,636	34,354	34,078	36,002	36,586
2(a)	Salary & Wages	8,809	11,363	13,455	13,791	13,406
2(b)	OPEX	11,110	11,378	10,199	10,120	10,294
3	Net Profit	3,009	575	(-)1,823	(-)6,384	(-)8,851

2.3 The service wise breakup of revenue of the Company during the last five years is as under:

(Rs. in crores)

Services	2007-08	2008-09	2009-10	2010-11	2011-12
Telephones (excl. WLL)	12,668	9,174	8,268	6,839	5,653
Operator receipts	5,656	4,305	2,978	3,304	3,220
Cellular	10,530	9,828	9,761	8,803	9,741
Wireless in Local Loop (WLL)	618	636	575	506	331
Broadband income	916	1,756	2,485	3,308	3,569
Leased line	757	960	1,064	1,827	1,804
Other Operating Income- USO receipts	467	2,075	2,665	2,285	1,445
Miscellaneous Services	1,230	1,535	118	174	235
Total income from services	32,842	30,269	27,914	27,045	25,999

2.4 While referring to the factors responsible for the precarious financial condition of BSNL, the Secretary, DoT deposed as under:

“While the entry of the private sector starting from 1994 as per the policy of Government has caused significant changes in the sector which prior to that was a Government monopoly. In the recent past, there are two major shifts. First of all, with the entry of private sector in 1994, the telecom sector which till then was a purely landline business and for which the DoT and which later became largely BSNL as far as operations were concerned, was structured to take care of the landline business. That is how the manpower was recruited and deployed and kept in position. But because of technology shifts and because of the Government policy of bringing in the private sector also, but mainly because of the technology shifts and the mobile being the preferred mode of telecommunications, from 1994 onwards, there is a steady change in the whole nature of the sector. The point I am trying to make is that the structure of BSNL, which was inherited from the erstwhile DoT is largely the structure of a wireline business. The operations today are to a substantial extent mobile business. So, they have a legacy of manpower and they also have the legacy of infrastructure, which is linked to the wire lines business. The result today is, one of the major problems that the BSNL has is the mismatch between their human resource position and the rest of the operators in the sector. BSNL today has close to 2.60 lakh employees. In fact, this has been actually coming down. Not so long ago, it was three lakh. Its expenditure on salaries comes to over 50 per cent of its

operational cost, which compares extremely unfavourably with the private sector where depending on the business model followed, the cost are in single digit percentages.

.....The second is that on the spectrum, we are currently in a transition where from a different policy regime which was there in the past, we have now moved to a market-determined cost for the spectrum and in 2010 the 3G and BWG auctions were conducted where the Government obtained Rs. 1,06,000 crore from the spectrum charges. In that context, what had happened was because the Government had a number of programmes which required connectivity up to the rural areas quickly, the BSNL was actually given the spectrum both 3G and BWG spectrum more than a year prior to the 2010 auction and it was given in all the circles in the country with the understanding that the BSNL will pay at the same rate that is realised through the auction. At that time, neither the Government nor the BSNL nor anybody else knew what that price was going to be. After 1 ½ years when the actual auction was conducted in 2010, it turned out that BSNL and MTNL paid close to Rs. 28,000 crore at one shot and obviously even for a big company such a huge amount of pay out at one go did have a very serious impact on their balance-sheet. This has happened in 2010”.

2.5 When asked about the reasons for gradual decline in the profits of BSNL over the years, the DoT in its written reply indicated the following reasons for the reduction in Company's profitability :-

(i) **Fixed to Mobile Substitution:** Most of the BSNL assets are in landlines because BSNL has been in the landline business for several decades. This applies to both physical and human resources. Whereas, assets are already committed and there is expenditure to maintain these assets, revenue from landline has decreased drastically.

(ii) **Stiff Competition in Mobile Sector:** The Mobile telephone market has become very competitive with all players introducing very aggressive tariff plans and bringing innovative packages. With reduced Average Revenue Per User (ARPU), the margins of the operator have been severely impacted. Further, whereas private players reorient themselves to changing conditions and procure equipment for providing services rapidly, this is many a time not possible for BSNL, which has to follow prescribed procedures.

(iii) **Manpower Cost:** When BSNL was created in 2000, it had 3,97,000 employees transferred from DoT. So long as its monopoly in landlines and high tariffs in mobile services continued, it could sustain this large employee base. However, with change in technology, the requirement of manpower reduced sharply and today, BSNL has a huge manpower (of 2.58 lakhs employees) compared to its competitors. Its staff cost today (2011-12) is Rs.13406 crore. The manpower cost of BSNL is around 50% of total

revenue as compared to 5-10 percent of private operators. Due to large legacy manpower, the impact on BSNL profitability has been much higher than that of any other PSU. BSNL has to maintain these employees on its rolls, being a Government company.

(iv) **Skill set of Employees:** BSNL is not only beset with large number of employees, but the skills of these employees are not suited to present requirements because the skill set required for rendering services to Mobile customers and Broadband customers is entirely different than the skill set required for rendering landline services. BSNL has to bear the expenses of their pay and allowances but their productivity is low. BSNL is making efforts to retrain and reorient the skills of a section of these employees, but it would take some time before all of them could become real asset to the company.

(v) **Legacy Systems:** BSNL system and processes were designed several years back to suit the needs of that time, mostly serving the landline customers. Whereas, a company starting from beginning can jump-start with new and contemporary systems and processes, for an existing company it takes some time to develop contemporary systems and processes. And even then some inherent disadvantages continue for quite sometime. However, BSNL has changed many of its systems and processes and it is in the processes of bringing about more changes. These are in the areas of marketing and sales, delivery of service, distribution channels, single point accountability, customer service management etc.

(vi) **Procedures:** Being a PSU, BSNL has to follow the prescribed procedures, rules and regulations issued by various government entities for PSUs, which are more cumbersome than the procedures followed by private operators. Whereas in a less competitive environment, this handicap may not make much difference, but in mobile business, which faces the severest competition, even a slight edge of competitors has effect on BSNL market share.

(vii) **Service in Rural area through landline:** Prior to mobile becoming popular, BSNL has provided landline phones in rural areas as a matter of Government policy. These landlines were not remunerative even at that time. After mobile came there is hardly any additional demand, and, in fact, there is reduction and exchange capacities are utilized much less. BSNL can not close these exchanges but has to maintain them resulting into additional losses.

(viii) **Removal of Concessions:** The progressive removal of concessions provided to BSNL like reimbursement of license fee and spectrum charges paid and withdrawal of access deficit charge (ADC) to compensate for unviable wireline network has also impacted BSNL's financial performance very adversely.

2.6 The Committee observed that in spite of all the abovementioned factors, BSNL was making huge profits till the year 2004-05. To a query whether the poor performance

of the company since 2005-06 is, at least, partly attributable to managerial deficiencies, BSNL stated in a written reply that the Market dynamics have changed in last 5 to 6 years in telecom market because of the entry of more number of operators, which has put lot of pressure on Tariff. In order to meet the challenges of competition, BSNL decided to restructure its set up by creating Business wise Verticals like Mobile, Fixed Access, Enterprises and New Business. Besides, other reasons for poor performance of the Company are given below:

- i). "BSNL had to pay approx. Rs. 18,000 crore in 2010 towards payment of upfront spectrum charges for 3G and Broadband Wireless Access(BWA) for Pan India license. Thus, BSNL did not have any choice for selecting the Circles as per the flexibility available with private operators.
- ii). BSNL has provided services in remote areas like Andaman & Nicobar and Lakshadweep islands where the cost of bandwidth is much more than the revenue being earned by BSNL.
- iii). Poor customer service because of attitude of legacy manpower.
- iv). Traditionally BSNL focused on its core business for providing technical services and there was no focus on Sales & Marketing.

As for basic telephony is concerned, the subscriber base of BSNL has declined for last few years due to following main reasons:

- a) It is a global trend and can be observed all over the world that with increased penetration of Mobile Telephony, the subscriber preference has been shifted from landline to mobile drastically and thus there is a reduction in number of Landline connection. This has resulted in BSNL also, substitution of basic telephones by mobile phones.
- b) Earlier there was a trend of subscribers having multiple Landline numbers and now with multiple mobiles with each member of family, there has been a surrender of extra wire line telephones and their substitution by personal mobile phones.

In fact, the trend is still continuing for substitution of wireline telephones by mobile phones and shifting of demand from basic to mobile connections which provide greater convenience at highly competitive rates. However, measures are adopted/ being adopted by BSNL to retain and enhance its landline connectivity by increasing penetration of Broadband."

2.7 When asked to specify the problems, which were beyond the control of the Company, and whether these were taken up with the Government and if so with what

result, the DoT in a written reply has stated that the following issues were taken up by BSNL with the Government:-

- (a) USO subsidy for Rural Telephony: BSNL took the issue for extension of support for Rural wirelines in the year 2011. The existing support expired in July, 2011. Since the support was being given on the recommendations of TRAI, it was decided to refer the case again to TRAI for further recommendation in the matter. The case was sent from DoT to TRAI in Sep 2011. TRAI, in May 2012, has recommended a support of Rs. 1500 Crore for First Year and Rs. 1250 Crore for the Second year. The matter is being taken up with Telecom Commission and a decision is likely to be taken.
- (b) BSNL paid an amount of Rs 8313.80 crore to the Government for BWA Spectrum. BSNL had sent a proposal to DoT for the return of BWA spectrum for some of Circles and refund the charges paid for the same. The case is being examined in DoT.
- (c) Excess Manpower: BSNL had taken up the case for offering Voluntary Retirement Scheme (VRS) to its employees for reduction in Manpower in consonance with the recommendations of the Pitroda Committee & Board for Reconstruction of Public Sector Enterprise (BRPSE). This will involve payment of Rs. 18,000 Crore (approx.) to the optees, numbering one lakh including DoT's liability of Rs 7000 crore (approx). The case has been examined in DoT in consultation with Department of Public Enterprises and Internal Finance Division of DoT. Initially BSNL had submitted a VR proposal as per the guidelines for a profit making PSU. This was also discussed and it was decided in consultation with DPE that BSNL should go with DPE guidelines in this regard.... Accordingly, several meetings were held between DoT and BSNL to finalize a concrete proposal. In the last meeting held on 25.10.2012, certain more clarification/information were sought from BSNL, which are awaited.

2.8 When asked to quantify the constraints faced by BSNL in monetary terms, the DoT in its reply stated as under:

“The monetary terms in each of the constraints is given below:

- (a) Non-viable Rural Wireline connections - Rs. 3200 Crore.
- (b) Refund of BWA Spectrum cost for six circles - Rs. 6725 Crore.
- (c) Reduction of 1,00,000 excess Manpower through VR scheme - Rs. 18000 Crore.”

2.9 The Committee required whether there is any system in BSNL for performance measurement - business unit wise / circle wise / state wise. The Company in its written

reply stated that there is comprehensive performance measurement mechanism in BSNL to monitor the performance by the name GPMS (Gross Performance Measurement System). GPMS scorecard is assigned for each Circle/ SSA/ Business Verticals at Corporate Office. This covers all the financial, operating and physical parameters.

2.10 To a query as to what action has been taken by the Company to improve the less performing business units / circles / States, the DoT has stated that BSNL has grouped its 26 Operational Circles into 4 Zones i.e. North Zone, South Zone, East Zone, West Zone. Each Zone is headed by a Functional Director responsible for monitoring of its revenue. Performance review is being undertaken by DoT and Hon'ble MOC&IT on regular basis. Detailed analysis of less performing units is being done to identify the weak areas and further advise is being given to prepare the action plan to improve the performance. Further, BSNL has been signing Memorandum of Understanding (MoU) with Department of Telecommunications (DoT) on yearly basis in accordance with the MoU guidelines of the Department of Public Enterprises. The review of the same is held on periodic basis. Further, various interactions on overall performance of BSNL, quality of service offered by it, suggestions for improving the services/financial performance etc. also happen on periodic basis at various levels including at the MOC & IT level in Department of Telecommunications. During these meetings, the various issues and problems faced by BSNL are being discussed and prospective corrective measures are suggested. As an outcome of one of the review meetings, BSNL has been directed to prepare and follow up the following innovative business proposals for revenue generation:

- (i) Utilization of Land and Buildings for Call Centres/BPO/Software Park.
- (ii) Monetizing of Towers.
- (iii) Utilization of Telecom Factory Infrastructure for Revenue Generation.
- (iv) Broadband Connectivity to Schools.
- (v) Establishing Wi-Fi network with the help of Partners.
- (vi) Leasing out of CDMA/EVDO, and
- (vii) Mobile Virtual Network Operator (MVNO) for 3G.

2.11 DoT has informed the Committee that the following corrective measures have been taken by BSNL to arrest its sliding performance:-

- “(a) Sales & Marketing set up has been strengthened by having exclusive channel management team consisting of 4500 exclusive sales representatives.
- (b) BSNL has focused on customer care services by installing exclusive call centres for GSM services (14) and Wireline/Broadband (11).
- (c) Monetizing the huge assets of land and building, towers and bandwidth.
- (d) Special Focus up on improvement of the quality of network.
- (e) Special Focus upon IT set up. Enterprise Resource Planning (ERP) system is being installed as part of this focus.
- (f) Internet data centre has been opened to create new revenue opportunities.
- (g) 45 top revenue earning telecom districts have been identified and their performance is regularly being monitored at the highest level.
- (h) Migration to Next Generation Network: During this Five Year Plan (2012-17), BSNL has planned to make the entire wire line customer base network IP enabled. Next Generation Network equipment based on the latest architecture are planned to be deployed gradually to replace the entire Circuit Switched equipments/ Digital Telephone Exchanges.”

2.12 On the issue of monetizing the huge assets of land and building, towers etc, the Committee observed that it is not a good idea if the Company is plainly selling out its real estate to be able to fund its requirement. In this connection, Secretary, DoT, during the evidence on 11 December, 2012, was asked to clarify the stand of Government. While replying to the query, the Secretary deposed as under:-

.....”we did not intend and we have not asked or allowed BSNL to dispose their assets. It is only to utilise idle assets. For example, if there is a building that is lying idle, then either use it or rent it and not sell it or if there is a land lying vacant, then do something with it and not sell it. There is no intention to dispose or sell any of the assets. It is only to make productive use of non-productive assets”.

(b) FINANCIAL SUPPORT

2.13 When asked about the details of financial support being extended by the Government of India to BSNL since its inception, DoT in its reply submitted as under:

- “Reimbursement of License Fee:
In accordance with the decisions taken by the Cabinet on 27.09.2000, Government was providing reimbursement of License Fee and Spectrum

Charges to the Company from its inception to ensure that the viability of BSNL is not impaired on account of services provided by BSNL, which are uneconomical but socially desirable. The reimbursement was done fully for the first three years i.e. from 2001-02 to 2003-04, 2/3rd for the year 2004-05 and 1/3rd for the year 2005-06. No reimbursement on this account is being done since 2006-07.

- Support for Economically unviable Wireline operations through ADC (Access Deficit Charge):

With effect from 1.4.2002, a levy of 5% Adjusted Gross Revenue (AGR) was imposed on all Access telecom service providers for meeting Universal Service Obligations. Proceeds of receipts on account of this levy are transferred to Universal Service Obligation Fund (USOF) through budgetary allocation. Office of Administrator USOF was created to meet the requirement of connectivity in rural, remote and commercially unviable areas.

Access Deficit Charge (ADC) regime was put in place by Telecom Regulatory Authority of India (TRAI) to assist in sustainability of fixed line operations in competitive environment for below cost services. ADC was started from 1st May, 2003 for giving sufficient time to fixed line operators for rebalancing the tariffs in the transition period. ADC was instituted as a depleting regime to be phased out in 3 to 5 years. Review of ADC was done annually. TRAI has phased out the ADC on domestic calls w.e.f. 1.4.2008 and on international incoming calls w.e.f. 1.10.2008. The phasing out of ADC by TRAI was accompanied with the simultaneous support to BSNL's rural wireline network through Universal Service Obligation Fund (USOF) as subsidy.

- Support for Economically unviable Wireline operations in lieu of ADC:

The phasing out of ADC by TRAI was accompanied with the simultaneous support to BSNL's rural wireline network through USOF as subsidy. USOF is providing subsidy to BSNL for the operational sustainability of the rural wirelines installed prior to 01.04.2002 at the rate of Rs.2000 crore per annum for a period of three years from 18th July 2008. Subsidy support of Rs. 6000 crore has been provided to BSNL under this scheme. The scheme has expired on 17.02.2011. For further continuation of this financial support, BSNL took up the issue with DoT / TRAI. TRAI, on 14th May, 2012 has recommended that the support to M/s BSNL should be continued for two years for sustenance of rural wire-line connections, installed before 1.4.2002 w.e.f. 18.7.2011. The amount of support may be Rs. 1500 crore for the first year and Rs.1250 crore for the second year. In case any amount has already been disbursed to M/s BSNL pursuant to the interim recommendations of TRAI dated 5.3.2012, the same may be adjusted from the support for the first year.

2.14 As regard to the decisions taken by the DoT on the abovestated recommendations of TRAI, the Secretary DoT while deposing before the Committee on 11 December, 2012 stated as under

“.....just this morning we had a meeting of the Telecom Commission where a clearance was accorded for providing Rs. 1,500 crores for one year to the BSNL as financial support for maintaining the rural wireline infrastructure. In the past, over the years, if you see from the year 2002, in the form of ADC, the BSNL has been given almost Rs. 19,000 crores by way of support and today another Rs. 1,500 crores, that means nearly Rs. 20,000 crores for such uneconomic schemes and investments, which are nevertheless important from a national perspective”.

CHAPTER – III
PHYSICAL PERFORMANCE

The physical performance of the Company during the last five years is given as under:

S. No.	Parameter	Unit	Net Addition				
			2007-08	2008-09	2009-10	2010-11	2011-12
1	GSM Mobile	Lakhs	87.80	105.02	165.94	229.64	82.40
2	Wireline	Lakhs	-21.86	-22.06	-15.16	-26.06	-27.572
3	WLL	Lakhs	10.21	8.55	7.12	-5.79	-15.615
4	Broadband (DSL) Conn.	Lakhs	10.55	15.25	18.89	21.26	14.23
5	OF Cable	RKms	43,832	44,265	48,622	39,140	15,273

(a) MARKET SHARE (IN TERMS OF TOTAL CONNECTION)

3.1 BSNL has witnessed significant decline in its market shares in respect of both the wireline and the wireless segments. The market share of the Company in the wireless segment has significantly declined from 18.66% in 31.03.2007 to 10.99% in 30.09.2012. During the same period, its market share in wireline segment has also declined from 82.75% to 69.73%. As per the information furnished by the Company, the percentage of market share of BSNL vis-à-vis private operators in the wireless and wireline segments during the last seven years is as follows:

Year	Market share in Wireline (%age)		Market share in Wireless (%age)	
	BSNL	Private operators	BSNL	Private operators
As on 31.03.2007	82.75	8.13	18.66	79.56
As on 31.03.2008	80.05	10.61	15.64	83.00
As on 31.03.2009	77.42	13.31	13.32	85.53
As on 31.03.2010	75.34	15.24	11.88	87.24
As on 31.03.2011	72.64	17.4	11.32	88.01
As on 31.03.2012	69.88	19.37	10.71	88.66
As on 31.09.2012	69.73	20.16	10.99	88.43

3.2 While explaining the Government's view *vis a vis* the decline market share of BSNL against the backdrop of stiff competition from private sector, the Secretary, DoT deposited as under

“Even though the private sector has come in and today the share of BSNL is barely 11 per cent of the market, the view in the Government is that the BSNL is a very important organisation, it has a strategic importance for the Government and the nation and it is not to be measured purely in terms of its market share of 11 per cent and so it is not very significant. There are a number of reasons why it is felt an organisation like BSNL being in the public sector and being a vibrant organisation is important and some of these related to areas like national security and therefore these cannot be measured in purely monetary terms”.

3.3 Elaborating the reasons for the downslide in market share of BSNL, DoT in a written reply submitted as follows:-

“(A). Reasons for declining market share in Mobile Services:

- i) BSNL has not been able to augment capacity of its mobile network in all the Zones mainly because of cancellation of two tenders since 2008.
- (ii) New operators who got licensees came out with very aggressive tariff plans and schemes to attract new customers.
- (iii) There was an overall trend of keeping multiple SIMs particularly in urban areas.
- (iv) The sales and marketing network of private operators was better than BSNL.
- (v) With the overall increase in total connections, the percentage of market share for each operator has come down as per the statistics given below

Operator wise & Year wise %age market share in Wireless Telephone

S.No	Name of Operator	31.03.07	31.03.08	31.03.09	31.03.10	31.03.11	31.03.12	30.09.12
1	BSNL	18.66	15.64	13.32	11.88	11.32	10.71	10.99
2	Bharti Airtel	22.37	23.77	24.00	21.84	19.99	19.70	20.51
3	Reliance Telecom	17.24	17.43	18.46	17.53	16.72	16.63	14.87
4	Vodafone Essar	10.42	16.92	17.57	17.26	16.58	16.35	16.84
5	Tata Indicom	9.65	9.33	8.97	11.28	10.98	8.88	8.64
6	Idea	8.44	9.21	9.94	10.92	11.03	12.25	12.74
7	Aircel	5.45	4.07	4.72	6.31	6.76	6.80	7.35
8	MTNL	1.77	1.35	1.14	0.87	0.68	0.64	0.58
9	Others	5.99	2.27	1.86	2.11	5.95	8.03	7.48

(B) Reasons for declining market share in WLL:

The declining market share of WLL was mainly due to following reasons.

- (i) There is a preference of customers for GSM technology and because of increased coverage of GSM network by all the operators, the demand for WLL connections which is based on CDMA technology is going down.
- (ii) BSNL had made WLL network to provide a umbrella coverage for supplementing the landline network. However, due to preference of customers for GSM technology over fixed line, demand for WLL connections has gone down.
- (iii) Availability of WLL handsets is poor as compared to GSM handsets. This also has led to reduced demand for WLL.

In view of the above, BSNL has taken a strategic decision not to further invest in WLL network augmentation and new strategy is being worked out in the light of the provisions in National Telecom Policy - 2012 where in sharing of spectrum is being proposed.”

3.4 As regards Landline services, DoT has stated that the main reasons for decline in the market share were rapid expansion of mobile services and manifold increase in mobile connections, which provided greater convenience and cheaper calls and consequent shifting of traffic to more convenient mobile phones. However, BSNL has stated that it is making all out efforts to retain landline customers and increase the utility by providing several Value Added Services such as broadband services, IPTV services, Video phones and Video Conferencing services etc. Efforts are being made by the Company for modernization of landline network like induction of new IP Based NGN (Next Generation Network) switches, inductions of customer care and billing platform, provisioning of new services at affordable prices, availability of latest CLIP phones, introduction of various attractive tariff plans & improved marketing strategies, rigorous monitoring of Quality of Service parameters as defined by TRAI etc. Efforts are being made to upgrade the external plants and extend connectivity to new upcoming colonies to provide landline telephones on demand on all areas

3.5 DoT has stated that broadband service is the only service whose market share is continuously increasing since its inception 2005 as is evident from the following table:

As on	BSNL Market Share (%)
31-03-2010	61.44

31-03-2011	63.11
31-03-2012	64.61

3.6 Also, the coverage of the broadband services of Company has been increasing. Details in this regard are as follows.

	Total	Covered
District HQ	632	627
Block HQ	6428	6242
Cities	4629	4417
Village	601625	169201

3.7 On being asked whether any specific strategy has been evolved/proposed to be evolved to reverse the trend in declining market share, the DoT in a written reply stated that BSNL has taken the following steps to reverse the trend in declining market share:

- (i) New tender has been finalized to augment the capacity and POs have been placed in all Circles of North and South Zone.
- (ii) Sales & Marketing network has been strengthened and 4500 exclusive channel management team in BSNL are monitoring franchisee network consisting of more than one lakh retailers.
- (iii) Various steps have been taken to improve the quality of service particularly for ensuring uptime of the network.
- (iv) Optimization of the network is being carried out vigorously.
- (v) Steps have been taken to improve customer care by installing 14 call centres.
- (vi) Bundling of devices have been done and agreements have been finalized for bundling of data cards, tablets and handsets with various vendors.

(b) UTILIZATION OF CAPACITIES

3.7 It is observed from the information furnished to the Committee that there has been gross under utilisation of equipped capacity by BSNL. The percentage utilization of equipped capacity as on 30.09.2009 is given below:

Sl. No.	Name of Service	Unit	Equipped Capacity	No. of Customers	Percentage of under-utilization
1.	Landline	Lakh lines	460.20	284.47	38.19
2.	WLL	Lakh lines	80.84	53.53	33.78

3.	Mobile	Lakh lines	504.63	534.04	-
4.	Broadband	Lakh lines	69.53	43.06	38.07
5.	Internet	Lakh lines	49.69	38.62	22.28

3.8 The utilization of equipped capacities by BSNL as on 30.09.2012 is as under :-

Item	Capacity as on 30.09.2012 (in lakh Lines)	Utilization as on 30.09.2012 (in Lakh Lines)	% utilization	% under utilization
Wireline	405.65	213.63	52.66	47.34%
WLL	86.70	31.27	36.07	63.93%
Mobile	755.31	965.07	127.77	-
Broadband	98.38	95.80	97.38	02.62%

3.9 When asked to spell out why BSNL could not succeed in ensuring full utilization of existing capacity, the Company attributed the following reasons for under utilization :-

A) Reasons for underutilization of Wireline Capacity

- (i) Rapid expansion of mobile services and manifold increase in mobile connections, which provide greater convenience at highly competitive rates,
- (ii) Surrender of extra wire line telephone where multiple telephones existed in same house/ office premises and their substitution by personal mobile phones
- (iii) Service interruption due to heavy damages done to underground cables owing to different developmental activities undertaken by public utility service agencies and other private agencies.

B) Reasons for underutilization of Wireless in Local Loop (WLL) Capacity

- (i) There is a preference of customers for Global System for Mobile communication (GSM)(technology and because of increased coverage of GSM network by all the operators, the demand for WLL connections which is based on Code Division Multiple Access (CDMA) technology is going down.
- (ii) BSNL had made WLL network to provide a umbrella coverage for supplementing the landline network. However, due to preference of customers for GSM technology over fixed line, demand for WLL connections has gone down.
- (iii) Availability of WLL handsets is poor as compared to GSM handsets. This also has led to reduced demand for WLL."

3.10 To a query as to how soon BSNL would reach full utilisation of capacity, it was stated that BSNL making all out efforts to retain wire line customers and increase their utility. Following steps have been taken in this direction.

- (i) Several Value Added Services including broadband services, IPTV services, Video phones and Video Conferencing services etc are being provided.
- (ii) All out efforts are being made for modernization of landline network like induction of new IP Based NGN (Next Generation Network) switches, induction of converged customer care and billing platform, provisioning of new services at affordable prices, making available of latest Calling Line Identification Presentation (CLIP) phones.
- (iii) Various attractive tariff plans & improved marketing strategies are being introduced. Rigorous monitoring of Quality of Service parameters is being done as defined by TRAI etc.
- (iv) Steps have been taken for re-deployment of Remote Service Units (RSUs) in developing areas and decommissioning the spare capacity in order to save the OPEX in AMC, power etc. Further, NGN capacity are being planned based on the subscriber base instead of capacity.

3.11 When asked about the potential for sharing of infrastructure and how much has been achieved in this regard in physical and financial terms, the DoT in its replies stated that Passive Infrastructure Sharing offers great business potentials and opportunities for any company like BSNL having large number of tower infrastructures spread all across the country. BSNL has been sharing spare capacities available on its passive infrastructure (Tower) sites for last 4 years and BSNL has also been able to register a steady progress in its achievements every year since inception of tower sharing in BSNL. The impacts of various other external factors/developments in mobile sector (like-Intra Circle Roaming, Sharing/trading minutes, Radiation issues, sharing of Active Infra) on tower sharing business are yet to be seen through. However, BSNL has been making all out efforts to acquire maximum possible business by sharing spare available capacities on its large tower-base all across the country.

Physical and Financial achievements of BSNL in Sharing of Infrastructure:

Achievement of tower sharing by BSNL		
Year	Physical (No. of towers leased out)	Revenue billed (in Rs crores)
2009-10	341	1.8
2010-11	491	29.384
2011-12	609	42.67
2012-13	538 (Till 15 th Nov, 2012)	39.46 Apr 2012 to Oct 2012)

(C) DELAY IN PROCUREMENT OF EQUIPMENTS

3.12 The Committee note that in mobile business which faces severest competition, even a slight edge of competitors effect on BSNL market share. It has been stated that whereas private players reorient themselves to changing conditions and procure equipment for providing services rapidly, this is many a time not possible for BSNL.

When asked to specify how the time taken for procurement by BSNL compares with that of private sector, the DoT in a written reply stated that BSNL has to follow the Govt. guidelines for procurement through open tender process whereas private sector is able to procure equipment at a very fast pace because they are not bound by any procedures followed by PSUs.

In this regard, the Secretary, DoT during evidence before the Committee on 11 December, 2012 admitted that it is a fact that in the past there were some delays on account of procedural factors and accepted that procedural delays certainly affect the performance of the Company. On the issue, he further deposed as under

“..... but the fact also is that the public sector has its own procedural requirements which it has to follow which do not necessarily apply as far as the private companies are concerned.....
.....Sometimes these do cause delays. This had happened in the past. We are making every effort to ensure that these types of delays do not occur. But procedurally, their processes are not comparable to that of a private sector although they may not be as rigid as the Government itself. Being a public sector undertaking, they are answerable to variety of bodies and mechanisms. They have to meet certain requirements of procedure. Sometimes these do cause delays. They do receive instruction from various bodies..... There are instructions received by competent bodies. In certain matters there is either a vigilance case or court case or from some other bodies some instructions are issued and they are required to wait for further instructions. These things do happen in the public sector.....”

3.13 In this context, when asked whether the DoT has fixed any time frame for giving clearance or otherwise to the BSNL procurement proposals, the DoT in its reply stated that BSNL Board is fully empowered to finalise the tenders subject to the various

security guidelines issued by the Government from time to time and as such no clearance from the Govt. is required.

3.14 When asked to indicate the time taken in each case of procurement costing Rs 10 crore and above, DoT in a written reply stated that BSNL has not been able to procure any equipment for GSM network since the last 4 years because of cancellation of two tenders (a) phase VI for 93 million lines and (b) 5.5m for short term requirement. This was mainly due to complaints from the vendors and litigation. Normally, it takes from 6-9 months for procurement of equipments from the initiation of proposal till actual time of delivery.

3.15 When asked about the reasons for cancellation of the tenders and to what extent the business of BSNL was adversely affected on this account in physical and financial terms, year wise, the DoT in its reply submitted as under:

“The tenders for procurement of 93 million lines for GSM equipment was floated the four zones of BSNL on 1.5.2008 under Phase VI project. This tender was having provision for quantity variation up to +/-50%. The procurement was proposed to be done in three phases for requirement of three to four years. In this phase capacity of 33 Million lines was planned and the remaining two phases were to have capacity of about 30 Million lines each. These capacities were planned based on BSNL Vision document envisaging to provide 3 Million connection in each month to maintain reasonable market share at that time. Bids for Part I, Part II and Part III were submitted on 10.9.2008 in all the zones and bids for the part IV was submitted on 30.9.2008 in all the zones. A communication was received from DoT on 14.5.2009 with regard to security related concerns connected with BSNL tenders for expansion of Telecom. Services (2G and 3G Telecom. services) in various zones of the country wherein it was mentioned that “In view of the pronounced security concerns in respect of Chinese vendors, procurement of resources from these vendors for deployment, particularly in sensitive regions would not be in the interest of national security. Therefore resources should not be procured from Chinese vendors for deployment, particularly in sensitive regions would not be in the interest of national security. Therefore, resources should not be procured from Chinese vendors for deployment in sensitive regions. The sensitive regions are defined as states having international border with China, Bangladesh, Myanmar and Pakistan.” In compliance to the guidelines from DoT, for Part-I and Part-II, the financial bids of the M/s Ericsson were opened in North and East zones and that of M/s Huawei

(Chinese Vendor) was opened in South zone on 15.5.2009. As the DoT guidelines didn't allow the opening of the financial bid of the lone techno commercially eligible bidder viz. M/s Huawei in West zone, financial bid of none of the bidders was opened in West zone.

BSNL Board took decision to procure 5.5. Million lines GSM equipment to meet the immediate requirement of the circles of North and East zones through a single composite tender for 5.5. Million lines, only for 2G equipment along with associated infra and billing integration. This requirement was mainly to reduce congestion in the network including remote areas. The Board decided to invite bids from the bidders who had participated in part-I and /or Part-II of Phase-VI tender in any of the zones as suggested by CVC. In view of the standing instruction relating to security guidelines from the Government, the bids were called from only three non-Chinese vendors namely M/s Ericsson, M/s NSN and M/s Alcatel Lucent centrally for North and East zones. However, change in security guidelines compelled BSNL to call fresh bids from all the five vendors who had participated in Part-I and/or Part-II of Phase-VI Tender as suggested by CVC, namely M/s Ericsson, M/s NSN and M/s Alcatel Lucent, M/s Huawei and M/s ZTE with existing tender document along with clarifications. Accordingly, the tender floated vide tender No.MM/NWP-GSM/062010/000391 dated 23.6.2010 was cancelled and new tender was floated by MM cell vide tender No.MM/NWP-GSM/082010/000395 dated 31.8.2010. Only four out of five bidders participated in the Bid. M/s Ericsson didn't participate in the bid. During the evaluation stage, M/s Ericsson represented that it had not participated due to security related guidelines/requirement mentioned in the tender even though during pre bid stage, neither any clarifications were sought by the M/s Ericsson nor M/s Ericsson participated in the pre bid conference held on 13.9.2010 for this tender. However, all the clarifications were provided by BSNL to all the prospective bidders including M/s Ericsson. M/s Ericsson chose to represent a case to the independent External Monitors (IEMs) against this tender, even though the vendor was not interested in the bidding. The IEMs recommended to reinvoke the tender and the tender was cancelled”.

3.16 According to the DoT, because of cancellation of these tenders, BSNL was not able to augment capacity of its mobile network which led to congestion in various pockets. This also caused various performance related issues like coverage problems as well as call drops and customer dis-satisfaction. This affected the growth of mobile connections and also the revenue. Details of Connections added from 2008 and the revenue earned are given below:

Year	Connections added in lakhs	Net revenue (in Rs crore)
2007-08	76.16	38,053
2008-09	91.52	35,812
2009-10	157.90	32,045
2010-11	197.78	29,688
2011-12	39.22	27,934

The Committee have also been informed that the BSNL Board in its 133rd meeting held on 4.2.2011, decided for floating tender of 15 million GSM lines for one year requirement. Subsequently, a tender for 14.37 M lines was floated on 14.7.2011 for procurement of 14.37 million GSM lines for expansion of 2G and 3G services for the requirement of all the Telecom. Circles except Chhattisgarh, Maharashtra, Gujarat and Madhya Pradesh Telecom. Circles which will get equipment under PSU Quota reserved (0.63 million) for M/s ITI against this tender.

Following bidders have participated in the bids:-

1. M/s Alcatel Lucent India Ltd.
2. M/s ZTE Telecom. India Pvt. Ltd.(Chinese)
3. M/s Ericsson India Pvt. Ltd.
4. M/s Nokia Siemens Network Pvt. Ltd.
5. M/s Huawei Telecommunication India Pvt. Ltd.(Chinese)

The tender has been finalized and Advance Purchase orders (APO) has already been issued to L1 bidders i.e. M/s ZTE Telecom. India Pvt. Ltd. & M/s Alcatel Lucent India Ltd.

During the evidence, the Committee sought information regarding the present status of aforesaid tender of 15 million GSM lines. In response, a representative of the Company stated as under:

“After cancellation of that, we floated another tender. The Board had approved that 15 million tender, which has now been successful. We have already placed Purchase Order for North and South Zone. We are in the process of other Zones also. So, this is the status of procurement.”

3.17 The Committee enquired as to whether the Sam Pitroda Committee's recommendations on suggesting changes in the procurement processes of BSNL have been implemented. In response, the DoT in a written reply stated as under:

“Pitroda Committee had recommended managed capacity model for procurement.

- (i) BSNL had attempted to prepare a Request For Procurement (RFP) for GSM equipment based on managed capacity model prescribed by Sam Pitroda Committee. There were various challenges in RFP like the procedures to be followed in the Govt. set up as well as governance model for the managed capacity model.
- (ii) Also, it is seen that managed capacity model is successful only when it is accompanied with managed service model for giving operation and maintenance to the vendor. This is presently not possible in BSNL set up due to availability of sufficient manpower to maintain the network.
- (iii) However, the managed capacity model has been followed in case of providing Value Added Services as well as Call centres”.

(d) Shortfall in Achievements vis-à-vis MoU Targets

3.18 BSNL is stated to be having excellent backhaul networks and is placed well to meet the challenges thrown by the market. Huge copper line network, OFC connectivity will reportedly enable the company in tapping the vast broadband opportunities thrown open for grabbing by the challenging market dynamics. Given this advantage, the physical performance of BSNL is vastly inadequate as is evident from MOU targets and achievements for the year 2011-12 as reported by BSNL in its Annual Report (2011-12) and brought out below :-

Sl. No.	Item	Unit	MOU Target	Net Achievement	Shortfall in Achievement
1.	Total Telephone Connection	Lakh Conn	200	39.22	80.39%
2(a)	Broadband Wireline	Nos	35	14.23	59.35%
2(b)	EVDO Connection	Nos	100,000	-7841	-7.84
2(c)	Wi-max Connection	Nos	801,000	22,284	97.12%
3.	TAX	Kilo Circuits	84	0	-
4.	OF Cable	Route Kms	30,000	15,273	49.09%

3.19 When asked to explain reasons for steep shortfall in achievements against the annual targets set, the Company in its reply submitted as follows:

“(A) Reasons for shortfall in Mobile:

- a. When MoU target for the year 2011-12 was fixed, at that time on an average 18 to 20 Million connections per month were being given by all the operators put together. Accordingly, a target of 20 Million connections was fixed in MoU assuming that BSNL will pick up 10% share out of these connections. However, during the year 2011-12, all the operators, put together, gave on an average 9 Million connections per month. BSNL was able to capture 10 to 11 % of the market share in the net connections.
- b. Because of non-placement of any PO for augmentation of mobile capacity, there was congestion in many parts in various Circles which led to reduced demand of mobile connections.
- c. The gross connections given by BSNL was 24 Million. However, because of multiple SIM phenomena there was a tendency for customers not to renew the prepaid connection. Accordingly the net connections were 8.2 Million.
- d. There was emphasis on having growth in revenue in comparison to number of connections being given. Thus BSNL has been able to increase mobile revenue by 8% as compared to the previous year.”

(B) Reasons for shortfall in EVDO Connections:

(i) Target for broadband connections for BSNL was fixed combined for fixed line as well as wireless connections out of which it was further split into fixed and wireless as follows.

i.	Fixed line broadband -	35 lakhs;
ii.	EVDO -	1 lakh
iii.	Wi-max -	8 lakhs
iv.	3G -	30 lakhs.

BSNL has enabled all its 2G connections with 3G facility as a result a customer can start using 3G broadband facility once he is having a 3G enabled handset. Thus, all 2G customers are having access to 3G broadband facility. This enabled BSNL to achieve overall wireless broadband target.

(ii) Because of increased penetration of GSM network as well as preference of the customers for GSM technology, the demand for CDMA connections has decreased. Since EVDO technology is based on CDMA, as such, the growth in EVDO connections reduced.

(iii) BSNL had taken a strategic decision for not investing in CDMA technology because of the reduced demand. As such, the EVDO network of BSNL is available only in limited areas thereby limiting the growth of EVDO connections.

(C) Reasons for shortfall in WIMAX connections:

Target of 8 lakh WIMAX connections was fixed on the presumption that BSNL will be able to roll out Wireless network in urban areas with franchisee model. However, the agreements signed with franchisees were terminated after six months of signing the agreement because franchisees could not roll out the services in their allotted Licensed Service Areas (LSAs). The main reasons for that were:

(i) Initially, franchisees had made their business model which was based on the reserve price of spectrum that was approx. 1300 crore in all LSAs excepting Delhi and Mumbai. However, in the auction of BWA spectrum price in these LSAs on PAN India basis, spectrum price turned out to be 8 to 9 times higher than the reserved price. The cost of spectrum was to be recovered from the revenue of franchisees before revenue share was to be applied. Since this cost was very high, therefore, the whole business model became unviable and none of the franchisees could roll out their network in the allotted areas.

(ii) BSNL has rolled out Wireless network in rural areas basically to provide Broadband connectivity to Common Service Centres as per the programme under DeitY. It is observed that in rural areas, there is a very poor demand for broadband connections which is mainly due to very poor penetration of computers and poor power supply position in rural areas

(D) Reasons for shortfall in Broadband:

- (i) Low demand of landline broadband connections in rural areas. However, BSNL has more than 1.6Mn capacity in rural areas.
- (ii) Slow growth of IT enabled services like sale of computers etc..
- (iii) Lack of concentrated marketing efforts.
- (iv) Lack of local language contents.
- (v) Non availability of CPEs in most of the circles.

(E) Reasons for shortfall in Trunk automatic Exchange (TAX) capacity

Shortfall in achievement in commissioning of TAX capacity by 84 Kilo Circuits against MoU targets of 2011-12 resulted due to non-procurement of additional IPTAX equipments which was planned for the augmentation of TAXs network in view of expansion of GSM network/ TAX traffic but same was not required due cancellation of 93 Million GSM tender and decrease in growth of TAX traffic.

(F) Reasons for shortfall in OFC

Shortfall in achievement in OF cable during 2011-12 is due to insufficient supply of OF cables to various circles as per the target as the tender was floated to for 60,000 Kms but the supply was done only by the L1 bidder for 1,500 Kms and the rest of the 5 bidders have not accepted to supply at the L1 rate. Further, it is mentioned that OFC was partially required for providing connectivity to Mobile Base Transceiver Stations (BTSs) which were added as part of GSM capacity expansion. However, due to cancellation of tender for GSM, same was not required.”

MoU Targets for the year 2012-13:

3.20 As regards targets for 2012-13 and the prospects of achieving the same, the Company in its written reply stated as follows;

(A) Mobile - 10 Million.

MoU target for the year 2012-13 is 10 Million. The overall trend of mobile connections is 6 to 7 Million connections per month. Many of the big operators are showing monthly negative growth. It will be a big challenge to meet the above targets in the present scenario. The POs for capacity augmentation for North & South zones have been recently placed and the capacity will be available for commercial use only from January, 2013 onwards. Because of these reasons, we may achieve 6 Million target during this year. However, following steps are being taken to achieve the targets.

- (i) Tender for 14 Million lines has been finalized and the POs have been placed in North & South zones. Process for finalizing the procurement for West and East Zones is pursued vigorously.
- ii) A close monitoring of the uptime of network is being done at all level.
- (iii) Optimizations of network is being done to improve the quality of network.
- (iv) 14 call centres have been installed to improve the customer care for GSM queries and complaints.
- (v) Various Value Added Services are being provided to attract the new customers.
- (vi) Sales & Distribution network has been strengthened.
- (vii) It is observed that revenue from Voice has become flat. There is focus on getting the revenue from data services. For this a number of steps have been taken to increase the revenue from data plans. Some of them are:
 - (a) Giving data cards on very competitive price. Bundling arrangements have been tied up with various suppliers.
 - (b) Giving attractive data plans. At present tariff for data for BSNL are as per market dynamics.
 - (c) Network is being optimized for data flow and the speed of data network is being improved by providing IP connectivity to 3G Nodes.

(B) Wireless Broadband – 45 Lakhs:

Target for Wireless/ EVDO for the year 2012-13 is 45 lakhs. All 2G connections have been enabled with 3G facility and they can start using broadband after having 3G enabled handsets.

(C) OFC laying – 30000 Rkm

MOU target for OF cable laying for 2012-13 is 30,000 RKMs and the same is expected to be fulfilled as P.O has already been issued for procurement of 42,000 Kms of 24 F OF cable.

(D) Wireline Broadband – 30 Lakhs:

MoU targets for wireline broadband for 2012-13 is 30 lakhs. The Company has taken following action to achieve the target.

- (i) BSNL has bundled computer with every broadband connections in rural areas to remove major barrier in broadband adoption. The same is being adopted in urban areas.
- (ii) BSNL has launched various VAS e.g. Games on demand, Music on demand, video/movies on demand, Education on demand contents on health etc.
- (iii) BSNL has launched more attractive and creative tariff plans and multi services packages using its new Call Detail Record (CDR) based billing systems to its customers.

(e) RURAL TELECOM NETWORK

3.21 The Committee observed that the Company is a forerunner in the country's rural telecom network establishment Apart from the services provided under the Village Public Telephone segment (VPTs), the Company has also undertaken some significant activities under Bharat Nirman-I and Bharat Nirman-II programme.

3.22 Explaining the progress made regarding rural coverage under Bharat Nirman- 1, DoT in a reply stated that Agreements were signed between USOF and BSNL in November, 2004 to provide subsidy support for provision of Village Public Telephones (VPTs) in 62,302 uncovered villages of the country excluding those villages having population less than 100, those lying in deep forests and those affected with insurgency. The provision of VPTs in these villages has been included as one of activities under Bharat Nirman Programme. VPTs have already been provided in 62,101 villages (99.68%) under this scheme till the closure of the scheme on 31.08.2012. In all, there are 5,93,601 inhabited villages in the country as per census 2001 and out of these,

5,80,303 villages i.e. 97.76% inhabited villages have already been provide with VPT facility as on 30.09.2012. BSNL has submitted that VPTs are likely to be provided in remaining inhabited revenue villages by March 2013 through on-going USOF scheme of VPTs in newly identified uncovered villages as per census 2001.

3.23 When asked whether the targets in respect of coverage of village panchayats with broad band connectivity as envisaged under Bharat Nirman-II have been achieved, DoT in its reply stated that Rural teledensity of at least 40% by 2014, and broadband coverage of all 2,47,864 Village Panchayats of country has been envisaged under Bharat Nirman II. The broadband coverage to all Village Panchayats is being provided by BSNL without any financial support from USO fund. As per information available in USOF, rural teledensity of 40.24% has been achieved as on 31 August, 2012 and 1,47,463 Village Panchayats have been covered with broadband connectivity till August 2012.

3.24 As per the information furnished by the DoT the status of rural coverage achieved by BSNL in respect of telecommunication services under VPT, GSM, CDMA and Broadband, as on 30.09.2012, is as follows.

Telecom Service	Total Inhabited Villages	Village Covered	% Covered
VPT	5,93,601	5,78,008	97.37
GSM	5,93,601	4,03,866	68.04
CDMA	5,93,601	4,82,432	81.27
Broadband	5,93,601	1,69,201	28.50

3.25 Emphasizing upon the potential of broadband service segment in rural areas, a representative of DoT, during evidence deposed as under:

“In the data sector, we are still very low in comparison to the world average and there is a huge opportunity to grow. I am placing before you that there is a project called the National Optical Fibre Network, wherein, we are trying to lay optical fibre cable to Gram Panchayats....BSNL’s broadband coverage is about 25-26 per cent while their voice coverage is 90 per cent. So, that gives the message that there is a huge gap that persists. Second, with 28000 rural exchanges which BSNL has, no other telecom player in the competitive sector has that type of reach and outreach. If we take Optical Fibre Network to the Gram Panchayats, they are ideally poised to leverage that infrastructure. So, this

particular National Optical Fibre Network is an investment which is being made directly from the Department of Telecom under the aegis of the USOF.”

So, in a way we can say that Government investment is going to expand the scope of the telecom sector and first among them would be the BSNL because of its large presence in the rural areas. So, I think it gives a huge market. Second, I am just trying to look at the eco system. If we look at the number of projects of the Government of India which are going on – for example the e-Governance initiatives which are going on through the Department Electronics and IT; the Sarva Shiksha Abhiyan which is going on through the Ministry of HRD; the National Rural Health Mission – all of them when they ultimately go in the manner of e-learning or telemedicine or e-Governance require bandwidth. This bandwidth we are going to get through the mechanism of National Optical Fibre Network of which BSNL itself is a major player ruling it out. I think it gives the first mover advantage to the BSNL. So, these are the issues which we have been trying to focus. We have to look at the opportunities which are emerging. Of course, in the voice sector you have competition. But if you look at the data sector, it is projected to grow up in a significant way and we are just 14 million broadband as of now, and the National Telecom Policy has an ambitious target to go to 600 million by 2020. To meet that target, they (BSNL) are in the right situation. Inevitably, we will have to see that when they compete, they have to compete on market dynamics. We will have to see that they have to evolve an aggressive marketing strategy, which, given the type of infrastructure that they have in rural area, they are well poised to do it”....

3.26 On the specific query of the Committee regarding the efforts being undertaken by the BSNL to capture the rural telecom market, the Secretary DoT during evidence before the Committee on 11 December, 2012 deposed as under

“.....I will explain the three projects which I mentioned. The National Optical Fibre Network is being funded by the Government from the Universal Service Obligation Fund. This was approved by the Cabinet with an estimated outlay of Rs. 20,000 crore last October, 2011. The three PSUs, as I mentioned, are the BSNL, Railtel and Power Grid Corporation in which the BSNL would, probably, do substantial junk of the work. So, that is the NOFN. As far as network for spectrum is concerned, that is being funded from the Budget. That provision is being made in the DoT Budget but essentially this network is being implemented for the Defence Services to provide them with an alternative medium for the spectrum which they have vacated, some of which was sold in 2010 and got larger revenues. The connectivity to schools is being implemented by the HRD Ministry and the budgetary provision is made in their Budget. The implementing agency is the BSNL.....

CHAPTER – IV

PERFORMANCE REVIEW BY THE DoT

In view of the dismal performance of the Company during the last few years, the Committee enquired as to whether it is not the responsibility of the DoT to identify the problems beyond the control of the BSNL management and provide possible solutions. In its written reply, the DoT stated that BSNL Board is completely free to decide and finalise its commercial and business policies including the procurement of equipment without any interference. No budgetary support, in general, is given to BSNL. To identify the problems being faced by BSNL and related issues, several committees have been formed at various levels. Based on the deliberations in the aforesaid committees, certain issues have been identified viz., VRS for the employees of BSNL, surrender of BWA spectrum and compensation for rural wireline. Actions are being taken by DoT on these issues. However, these issues involve the consultations/approval of other Ministries like M/o Finance, D/o Public Enterprises and even Cabinet.

4.2 When asked how many quarterly performance review meetings of BSNL were held by DOT during each of the last three years and what was outcome of such meetings, the DoT in its reply stated that BSNL has been signing Memorandum of Understanding (MoU) with Department of Telecommunications (DoT) on yearly basis in accordance with the MoU guidelines of the Department of Public Enterprises. The review of the same is held on periodic basis. Further, various interactions on overall performance of BSNL, quality of service offered by it, suggestions for improving the services/financial performance etc. also happen on periodic basis at various levels including at the MOC & IT level in Department of Telecommunications. During these meetings, the various issues and problems faced by BSNL are being discussed and prospective corrective measures are suggested. As an outcome of one of the review meetings, BSNL has been directed to prepare and follow up the following innovative business proposals for revenue generation:

- (i) Utilization of Land and Buildings for Call Centres/BPO/Software Park.
- (ii) Monetizing of Towers.
- (iii) Utilization of Telecom Factory Infrastructure for Revenue Generation.
- (iv) Broadband Connectivity to Schools.

- (v) Establishing Wi-Fi network with the help of Partners.
- (vi) Leasing out of CDMA/EVDO, and
- (vii) MVNO for 3G.

4.3 Since there is hardly any improvement in the performance of BSNL over the last five years, the DoT was asked to clarify whether the performance review meetings of DOT have been ineffective and the Department has failed in its responsibility of ensuring desired level of performance by BSNL. While replying to the query, the DoT stated that efforts are being made by BSNL and DoT to bring improvement in the operational and financial performance of BSNL. However, there are certain impediments like huge wage bill (nearly 50% of the income vs 5 to 10% of private operators), payment of upfront spectrum charge by BSNL for BWA, stiff competition in mobile sector and inability of BSNL to augment its mobile capacity due to failure of tenders for various reasons.

4.4 Referring to certain decisions taken /directions given by the Ministry in their recent performance review meetings with BSNL, a representative of the DoT deposed as under:-

“I would like to mention that the Ministry has taken review meetings with both the CMDs of BSNL and MTNL. In fact, today morning the Minister had taken the meeting. One of the thrust areas in which the direction has been given by the Ministry is that you (BSNL/MTNL) have to leverage your assets to see that marketing drive has to come about. One aspect which is fundamental is BSNL/MTNL are in a competitive market. So, we will have to work on competitive strategies and marketing will have to be done for which rational deployment of your manpower to understand who can perform and where and when has to be seen. This is an HR activity. So, the BSNL and MTNL were asked to go back to their offices to decide who can perform what and they have to do it on a clear cut monitoring basis.

Secondly, there are some capital assets like real estate. How to leverage those in terms of entering into some sort of a partnership process, where the money could be earned out of the assets, etc. Suppose if you build up a software technology park on that area then that it becomes some sort of a revenue income for the organisation. Leveraging your asset is the second thing..... Thirdly, we are looking at what are called voice markets and data markets. Up to now voice market is something where we know that there is a lot of competition and we will have to work on trying to see which segments as you said” ..

CHAPTER – V
HUMAN RESOURCES

(a) MANPOWER COST

5.1 According to the BSNL when it was created in 2000, it had 3,97,000 employees transferred from DoT. It was stated that so long as its monopoly in landline and high tariffs in mobile services continued, it could sustain this large employee base. However, with change in technology, the manpower strength in BSNL has come down from 3.97 lakhs in the year 2000 to 2.58 lakhs as on 31.3.2012.

5.2 In view of the above, when asked about the optimum manpower requirements in the given technological scenario and actuals there against, the DoT in a written reply stated that the advancement in telecom technology is a continuous process. The available manpower is positioned on the basis of workload in different businesses. In the given technological scenario, redeployment of staff is being done from fixed line services to new roles such as marketing, sales, distribution, customer services, etc. These roles are very crucial in highly competitive market environment. Also, employees are being engaged in other important activities such as Data Centres, Information technology, in the field of improving service quality etc. The Pitroda Committee has inter-alia recommended to the Government to retire or transfer around 1 lakh employees through best possible processes like Voluntary Retirement Scheme (VRS). Accordingly, BSNL has prepared a VR scheme aimed at reducing the workforce by 1 lakh and improving the Company's financial performance.

5.3 When asked about the expenditure incurred on account of excess manpower during each of the last five years, the DoT in its reply has stated that the expenditure incurred by BSNL on salary and wages of the entire employees during the last five years is as under:

Year	Salary and wages(in Rs Crore)
2007-08	8,809
2008-09	11,363
2009-10	13,455
2010-11	13,791
2011-12	13,406

However, the salary and wage cost of excess 1,00,000 manpower for 2011-12 is around Rs. 5000 crore.

5.4 When asked as to how the manpower cost of BSNL compares with that of private sector, the DoT in a written reply stated that it is not possible to compare the manpower cost with that of private sector because private sector is carrying out various works on outsourcing model. However, the manpower cost of BSNL is around 50% of total revenue as compared to 5-10% of private operators.

5.5 The Committee note that Pitroda Committee has *inter alia* recommended to the Government to retire or transfer around 1 lakh employees through best possible processes like Voluntary Retirement Scheme (VRS), BSNL, on the instance of Telecom Commission, prepared a VR scheme aimed at reducing the workforce by 1 lakh and improving the company's financial performance. When asked whether any decision has been taken on the recommendation of the Pitroda Committee, the DoT in its written reply stated as under:-

“The Pitroda Committee has inter-alia recommended to the Government to retire or transfer around 1 lakh employees through best possible processes like Voluntary Retirement Scheme (VRS). The Telecom Commission considered the Committee's recommendations and asked BSNL to examine the VRS option along with financial burden and cost / benefit to the company. Accordingly, BSNL has prepared a VR scheme aimed at reducing the workforce by 1 lakh and improving the company's financial performance. BSNL has taken up the case for offering Voluntary Retirement Scheme (VRS) to its employees for reduction in Manpower in consonance with the recommendations of the Pitroda Committee & Board for Reconstruction of Public Sector Enterprise (BRPSE) with DoT. This will involve payment of Rs. 18,000 Crore (approx.) to the optees, numbering one lakh including DoT's liability of Rs 7000 crore (approx). The case has been examined in DoT in consultation with Department of Public Enterprises and Internal Finance Division of DoT. Initially BSNL had submitted a VR proposal as per the guidelines for a profit making PSU. This was also discussed and it was decided in consultation with DPE that BSNL should go with DPE guidelines in this regard. Accordingly, several meetings were held between DoT and BSNL to finalize a concrete proposal. In the last meeting held on 25.10.2012, certain more clarification/information were sought from BSNL, which are awaited”.

5.6 In this connection, while deposing before the Committee on 16th November, 2012, the CMD, BSNL categorically submitted that the Company is not in position to pay

the money to be given to the VRS optees. The CMD also submitted that the Company had requested the Ministry to arrange the funds for the said purpose, however, the Ministry has not made any commitment in this regard.

5.7 During the evidence on 16th November, 2012, the Committee sought the views of DoT on the issue of VRS to excess BSNL staff. In response, a representative of the DoT deposed as under:

“So, the VRS itself is an issue where the Government will have to take a call. I mean, I am not in a position to make any statement at this point of time. But, in the long term interest to BSNL one has to reduce the staff and it is upto Government to think over as to how to support the VRS action. I think that would in a way help the BSNL to tide over its financial constraints”.

(b) SKILL SET OF EMPLOYEES

5.8 It was brought to the notice of the Committee that BSNL is not only beset with large number of employees, but the skills of these employees are not suited to present requirements because the skill set required for rendering services to Mobile customers and Broadband customers is entirely different than the skill set required for rendering landline services. These employees were linked with the legacy landline business which required much more manpower compared to latest mobile technology deployed by private players. According to the Company, the BSNL has to bear the expenses of their pay and allowances but their productivity is low. BSNL is making efforts to retrain and reorient the skills of a section of these employees, but it would take some time before all of them could become real asset to the company.

5.9 Taking note of the position explained above, the Committee desired to know about the remedial measures proposed to be taken by the Company in this regard. In their written reply, the Company submitted as under:-

“BSNL has formulated massive training plans for its employees, to upgrade their skill sets in various domain areas.

- (i) These trainings have been into areas of Mobile, Broadband, Value Added Services, 3G, customer Care, CDR Project, ERP project, Leased Line, Sales / Marketing, and on similar other relevant topics.

- (ii) Large scale trainings were imparted to select employees who were part of Project-Shikhar, under the re-Structuring and Business Process Re-engineering plan of BSNL
- (iii) Through these massive training programs, we hope to enhance skill sets of our employees in all the desired operational areas of BSNL, so as to help it face competition in the telecom sector.

The above steps in upgrading the skill set of the employee along with the major initiative as indicated above will enable BSNL to be competitive in the fiercely competitive telecom industry.”

5.10 As per the Annual Report (2011-12), a total number of 80,013 employees (Executives-32,173, Non Executives 47,840) were imparted trainings by the Training centers of the Company.

5.11 When asked about the problem of attrition, if any, being faced by the Company and its plans regarding recruitment of young talent, the Company in its written reply submitted :-

“During the last five years, about 841 Executives out of total strength of about 56,000 have taken Voluntary Retirement from service, whereas 27 have resigned from the services. This comes out to be an attrition rate of about 0.32%, which is negligible in comparison to the attrition rate of more than 20 % in case of private service providers. The process of recruiting young talent, possessing higher qualifications (Minimum Engg. Graduates), started in the year 2001 and 2002 when 6349 Junior Telecom Officers (Entry Level Executives/Engg. Graduates) were recruited. To continue with the process, 5334 Junior Telecom Officers and 6,685 Telecom Technical Assistants have also been recruited during the last 5 years. In addition, the process of direct recruitment of 115 Deputy General Managers (a middle level management officers) is also under process.”

5.12 On being asked about the updated status regarding the direct recruitment of Deputy General Managers, the Company in its reply stated that BSNL has started the process for the recruitment of 162 Dy. General Managers. BSNL has released the advertisement for recruitment of DGMs on 24.09.2012 in the newspapers and uploaded on BSNL’s website on 14.09.2012. Online registration of candidates is likely to start from 16.11.2012.

The vacancy position and its distribution is as follows :

Name of Posts	Distribution of Vacancy					
	OC	OBC	SC	ST	PH (Common)	Total
DGMs in BSNL Telecom	48	38	13	07	04	106
DGMs in BSNL Telecom Finance	27	16	09	04	02	56

ABSORPTION OF INDIAN TELECOM SERVICE OFFICERS

5.13 Consequent upon formation of MTNL and BSNL, Group 'A','B','C' and 'D' employees of the Department of Telecommunications were transferred to these PSUs on 'as is where is' basis on deemed deputation. About 3,97,000 Group B, C & D employees already stand absorbed in BSNL/MTNL. As per decision of the Government, the 'deemed deputation' of ITS Gr. 'A' officers was to end on 30.09.2005, later extended upto 15.10.2005 and 22.12.2008. However, the said period has since been continued till the completion of absorption process.

5.14 When asked about the present status regarding the absorption of Group A officers in BSNL, DoT in its reply submitted as under:

"Group 'A' officers of various services under Ministry of Communications & IT including Indian Telecom Services (ITS) officers were asked to exercise their option for absorption in BSNL / MTNL as per the terms and conditions approved by the Cabinet initially in the year 2005 and later as per revised terms and conditions in August 2008. As the response of Group 'A' officers towards absorption was very poor, final opportunity was given to all Group 'A' officers in September 2011 on the terms and conditions approved by Cabinet in 2008 for exercising their option for absorption in BSNL / MTNL by 8th November 2011.

Against absorption offers given in 2005, 2008 and 2011, out of a total of 3088 working Group 'A' officers, 802 including 184 ITS officers sought absorption in BSNL / MTNL.

Officers on deemed deputation to BSNL/MTNL but not opting for absorption in BSNL / MTNL till the last date prescribed for exercising option i.e. 8.11.2011 were ordered to be reverted / repatriated to the Government from 9.11.2011 onwards. Consequently, out of total 1472 Group 'A' officers (including 1428 ITS officers) on deemed deputation to BSNL and MTNL, 434 Group 'A' officers (including 396 ITS officers) have been relieved by BSNL/MTNL to join DOT. A total of 1028 ITS officers are yet to be relieved by BSNL/MTNL (945 by BSNL and 83 by MTNL) for reverting to the DoT.

Total number of sanctioned posts of ITS in DoT is 463 (9 HAG + 56 SAG + 100JAG + 280 STS + 18 JTS). Taking into account the options exercised, a total of 1558 (43 HAG + 601 SAG + 914 JAG) ITS officers are likely to be declared surplus. Accordingly, DoT has constituted Surplus Staff Establishment (SSE) for referring the names of ITS officers identified to be in excess of the

requirements of this Department to the Surplus Cell of the Government for their redeployment. The order constituting the said SSE has been stayed by Jaipur and Hyderabad Benches of CAT.

Both BSNL and MTNL have intimated that in the event of immediate repatriation of all the unabsorbed ITS officers presently working on deemed deputation in these organizations (945 officers working in BSNL and 83 officers working in MTNL), it will not be possible for them to find suitable replacements immediately to occupy vital positions at middle and senior management levels and a sudden vacuum at these levels will seriously affect their functioning.

BSNL & MTNL have requested DoT to allow retention of ITS officers presently on deemed deputation to these organizations since they have not been able to build cadre of their own officers at middle and top management level due to continuous availability of Group 'A' officers including ITS officers as well as non conclusion of the process of absorption under Rule 37-A of CCS (Pension) Rules, 1972. BSNL and MTNL have further informed that they would require the services of these officers on a temporary and diminishing basis for a maximum period of 10 years in which they would be able to build their own cadre of officers through the process of recruitment and promotion.

It may also be noted that both BSNL and MTNL have proposed further repatriation of ITS officers on year to year basis in the next 10 years as BSNL and MTNL build up their own cadre of officers. The cadre review of the ITS officers has not taken place since 1988 particularly after the incorporation of BSNL to assess the actual requirement of the ITS officers in the post absorption and post BSNL incorporation scenario. It is also mentioned that the majority of these ITS officers currently in the cadre were recruited before the incorporation of BSNL when the DOT used to perform those functions including telecom operations which are at present being performed by BSNL.

In view of the facts mentioned above, Committee of Secretaries headed by Cabinet Secretary and comprising of Secretary (Telecom), Secretary (Personnel), Secretary (Expenditure), Secretary (Pension and Pensioners Welfare) and Secretary (Legal Affairs) has been constituted to consider various issues relating to absorption of Group 'A' officers including ITS officers in BSNL/MTNL. Two meetings of the Committee of Secretaries have already been held on 27th September 2012 and 29th October 2012. The matter would also need to be taken for consideration of the Cabinet after the final recommendation of the Committee of Secretaries."

CHAPTER – VI

RESTRUCTURING AND REVIVAL OF BSNL

(a) SAM PITRODA COMMITTEE REPORT

A Committee headed by Sam Pitroda was constituted by the Government to address both the short as well as long term issues affecting the financial health and competitiveness of BSNL. The Report was submitted on 9.2.2010. A brief summary of the main recommendations of Sam Pitroda Committee Report is as follows:

- Focus on selection of the best professionals from the market at market rates
- Appoint an eminent person from the private sector as the chairman
- Separate the post of the Managing Director/ CEO (from CMD)
- Change the board composition to seven directors (one internal(MD/CEO), two government nominee, three external and non executive chairman)
- Provide three year contracts with specific targets for all key management team
- Establish four independent business units for Fixed access, Mobility, enterprise and New businesses.
- Complete ITS absorption process immediately.
- Induct significant young talent in technology, IT, marketing, sales, etc.
- Retire or transfer around 100K employees through processes like VRS.
- Change procurement processes and procedures substantially using tools such as e-Procurement, vendor rating, rate running contracts, schedules, etc.
- Disinvest 30% through Indian strategic investor and at Initial Public Offering (IPO) to return 10% to the government and use 20% for employee VRS, expansion and operation.
- Provide 30 million new high speed broadband connections in the next three years
- Unbundle local loop for public and private companies
- Proactively offer sharing of active and passive infrastructure to other operators
- Enhance rural communication facilities by connecting 250,000 panchayats
- Create a separate subsidiary company for tower related infrastructure
- Create a separate subsidiary to hold land bank and other real estate assets
- Establish a BSNL venture fund to invest and/ or acquire small appropriate technology company

6.2 The Sam Pitroda Committee Report was deliberated upon by the Board of Directors of BSNL in their meeting on 10.03.2010 and BSNL's views on the recommendations contained in the Report were furnished to DoT on 15th March 2010.

According to the Company, it is broadly in agreement with the recommendations of the Pitroda Committee. However, on certain recommendations BSNL had pointed out implementation concerns and these are mentioned below:

Recommendation	Views of BSNL Board
<p>Focus on selection of the best professionals from the market, at market rates, for higher level management, with relevant experience and domain expertise (estimated around 30-50). Internal candidates should be given equal opportunity, without any policy of preferential treatment.</p>	<p>BSNL being a Central PSU is governed by DPE's guidelines/recommendations with respect to Salaries/wages of the Employees at all levels including Functional Directors/CMD/MDs, feasibility of implementing this recommendation may accordingly require Govt's attention. In addition to other issues, concerns such as (i) career aspirations of internal candidates, (ii) modalities to address the issues of difference in market salaries and PSU pay scales and the selection process, applicability of Govt guidelines on reservation may also require redressal.</p>
<p>Change the board composition to seven directors, one internal director (MD/CEO), two government nominee non-executive directors with relevant skill set, three external independent directors of eminence and relevance and the non-executive chairman. CFO and COO shall be permanent invitee to the Board.</p>	<p>In the existing structure, Business Unit heads are the overall heads of the business with full accountability and control to drive the business. Hence it is important for them to be full time members of the Board to be effective in their desired role. The DPE's guidelines on composition of the Boards of PSUs also prescribe that in schedule A & B category PSUs the personnel and finance functions should be headed by Board level positions. BSNL is schedule 'A' PSU with Mini Ratna category-I.</p>
<p>Appoint a full time Chief Technology Officer (CTO), a Chief IT Officer (CIO), Chief Operating Officer (COO), and a Chief Financial Officer (CFO), all of whom should report directly to the CEO.</p>	<p>Business Unit heads appointed for each Business unit are in principle COO & CTO roles combined in one central role. There should be a CIO as recommended and also a CMO (Chief Marketing Officer).</p>

Retire or transfer around 100 K employees through best possible processes like VRS.	Scheduled retirements over the next 5 Years are estimated to be around 60,000. Typical challenges associated with VRS, e.g. strong resistance from the unions, possibility of losing good people, and the risk of creating a strong negative sentiment. VRS may be targeted at specific cadres where there is significant surplus workforce and to be done as a series of small specific VRS schemes. Government should consider providing BSNL with a financial package to cover the cost of the VRS scheme (approximately 4-5 years of salary).
Disinvest 30% in stages at the appropriate time, say after fundamental changes have been made to enhance enterprise value, through Indian strategic investor and at Initial Public Offering (IPO) to return 10% to the government and use 20% for employee VRS, expansion and operation. Further disinvestment could be considered after a detailed performance review in three years time.	Decision of BSNL Board requesting the Govt. to consider to offer for sale to the public 10% of its share holding in the Company with ESOP/ESPS as per practice followed by CPSUs had already been communicated by BSNL.

6.3 The DoT in a written reply informed the Committee that the recommendations of the Sam Pitroda Committee were discussed in the full Telecom Commission meeting held on 7th July 2010 which decided to constitute a search-cum-selection committee for the appointment to the posts CMD, BSNL. The Commission also suggested for constitution of internal committee under Chairmanship of Member (Services), Department of Telecommunications to give its recommendations on the report. The committee may take inputs from BSNL including Employees Associations of BSNL. Accordingly, a search-cum-selection committee and an internal committee have also been also constituted.

Restructuring / Revival Initiative taken by BSNL

6.4 The Committee have been informed by the BSNL that it has engaged a professional and internationally renowned consultant M/s Boston Consultancy Group (BCG) to improve its overall performance and change in the management structure. Based on the recommendations of BCG and as a result of its own internal thought process, BSNL has taken the following steps for its revival:

- Structured itself into four business Verticals viz Consumer Mobility, Consumer Fixed Access, Enterprise and New Business.

- Strengthening of Marketing, Sales and Distribution Channels through specific targeted Projects
- Continuous improvement in Customer care through Project Smile
- Emphasis on Value Added Services to increase ARPU.
- Leveraging IT (ERP, CDR etc) for bringing efficiency in all its operations.
- Growth of 3G, Broadband (DSL, Wi-Max) and Data Centre Services
- Creating a segmented go-to-market approach to tap the enterprise market. The Gold and Platinum customers are being served directly by in-house sales force of BSNL while Silver customers are being taken care of by Channel partners.

6.5 Referring to some measures being taken/considered by the Government to improve the financial health of the Company, the Secretary during the evidence deposited as under:-

“..... for a number of large Government projects which are of strategic importance, for example, the network for spectrum, which is being done for the defence service, at a cost over Rs. 10,000 crores, the National Mission of Education through ICT, which involved two projects close to Rs. 10,000 crores, the Government secure network which is again about Rs. 2000 crores, the National Optical Fibre Network which is of Rs. 20,000 crores project, which is being implemented by BSNL and Rail Tel and Power Grid in which BSNL has a major share. These types of large Government projects are being implemented by BSNL and these would supplement their revenues as well as utilise their manpower. Lastly, the BSNL has, keeping in mind the huge amounts paid for spectrum, have given a proposal for surrender of some part of spectrum because what the private companies did is that they did not bid for spectrum for the whole country. Somebody has bid for one part; somebody else has bid for another part; then they have formed an alliance and use that spectrum. So, the BSNL has now revaluated and suggested that in some areas they would like to surrender the spectrum and that they should be compensated for that. That is something that we are looking at and we will have to examine it in consultation with the Finance Ministry how to make that adjustment for BSNL.....

.....These are some of the major items that we are making to see how to put BSNL on to a more sound footing financially. We are quite hopeful that with all these steps, projects and plans which BSNL has made, over the next three to four years the turnaround will be possible”.

Disinvestment

6.6 It is observed that the Board of Directors of BSNL took a decision on 25.07.2008 to list of BSNL in stock exchanges as the same would lead to specific advantages in valuation of its shares, better employee morale and productivity, creation of personal

wealth of the employees through stock auction, increased credibility with business partners, increased capability and enhanced ability to raise money, improved financial position without dilution of the stake, improvement in management and employee performance and occurrence of corporate culture, etc. It has been stated that there was, however, stiff opposition by the trade unions / associations against any move for disinvestment / listing through IPO route. Performance of BSNL has since been deteriorating from bad to worse. The DoT has stated that the issue of listing would be taken up after performance of BSNL improves.

6.7 In view of the above, the DoT was asked to clarify whether the BSNL has any vested interest, in not improving its performance, as improved performance may lead to disinvestment of shares which is opposed by its employees. In its reply to the query, the DoT explained its position as follows:

“The Inter-Ministerial Committee of the DPE, while considering the conferment of Navratna status to the BSNL, in its meeting held on 29.9.2008 decided “to consider prior listing of BSNL a condition for grant of Navratna Status”; and, further observed that “the question of listing will be decided at the level of Apex Committee”.

Accordingly, on receipt of communication dated 24.7.2008, conveying the directions of the Apex Committee for prior listing of BSNL before grant of Navratna status from the administrative Ministry, the “possibility for getting itself listed”, was explored by BSNL; and, the Board of Directors, in their 113th meeting held on 25th July 2008 had deliberated the issue and observed that, “at this stage, to enable the Company to get listed, the appropriate course of action would be that Govt. may be requested to offer for sale to the public a part of its holding in BSNL, say 10% with ESOP / ESPS as per the practice followed by other CPSEs” Further, the Sam Pitroda Committee had recommended for disinvestment of 30% through Indian strategic investor and at Initial Public Offering (IPO) to return 10% to the government and use 20% for employee VRS, expansion and operation. The Telecom Commission, in its meeting held on 30.11.2010, has decided that “This is not the opportune time for listing & disinvestment of BSNL, as company is on downward performance path & disinvestment may not realise true value of the company. In absence of listing, option of giving stocks as incentive, to key management team is not available for the present.”

6.8 To a specific query as to whether the fundamentals of BSNL are not strong enough to go for listing even at this stage, the DoT in its reply stated that It is a fact that

fundamentals of the BSNL – being the successor of erstwhile Central Government Departments of Telecom Services and Telecom Operations – are very strong. Before taking a decision for listing, in addition to strong fundamentals, the following key issues which have a bearing in valuation of the shares merit consideration:-

Capital Market Dynamics inter-alia,

- (i) Investors response to the contemporary IPOs in the sector specific companies,
- (ii) Appetite of prospective retail and institutional investors both domestic and FIIs;
- (iii) Secondary Market conditions etc.

Despite strong fundamentals, the company will have to weigh the listing option vis-a-vis present market conditions, its declining cash flows and the competition. Therefore, going to market after turning around may ensure better valuation of the Company and may eliminate the fear of possible under valuation if any.

CHAPTER – VII

3G TECHNOLOGY SPECTRUM ALLOCATION

ADVANCE ALLOCATION OF SPECTRUM TO BSNL

3G spectrum was allocated to BSNL in September, 2008 and the 3G services were commercially launched by the Company on 27th February, 2009. As on 30.09.2012, BSNL has covered 1060 cities with 3G network covering almost all district headquarters, commercially important towns and tourist places.

7.2 The Committee have been informed by the Ministry that advance allotment of 3G and BWA Spectrum to BSNL/MTNL was made on their own request with the condition that they would also pay one time Spectrum fee at a price equal to the price determined through the auction of 3G and BWA Spectrum. This condition was also incorporated in the NIA (Notice Inviting Applications). Therefore, BSNL/MTNL were asked to pay the same Spectrum charges for 3G and BWA as was paid by other successful bidders, which was determined through the e-auction process.

7.3 The Committee were informed that BSNL allocated 3G Spectrum one year in advance i.e. in September, 2008 as compared to the private players, but it had to pay Rs. 10186.58 crore to DoT matching the highest bidding price. In this regard when enquired as to whether BSNL had weighed the financial implications of the advantage of advance allocation vis-à-vis highest bid price the Company had to pay. BSNL has stated that the decision was taken by DoT. It was also stated that no financial analysis has been done by the Company in this regard.

7.4 On being asked as to whether the decision for advance allocation of 3G spectrum at the highest bidding price was taken by Government itself or it was taken by the Government on the suggestion of BSNL, the Company in its written reply stated that the above decision was taken by the Government on the basis of its request with the following justification.

- (a) BSNL has got mandate to provide the 10 million broad band connections by the year 2010, accordingly BSNL has plan to achieve this target through 3G

and BWA technology as these wireless technologies are capable to provide broad band and are easier to install and roll out services.

(b) The rollout of 3G services by BSNL may increase the broadband penetration in rural areas which shall be benefited in terms of e-education, e-health etc. Rollout of 3G services with coverage across country including rural areas by BSNL would be in the large interest of public. However, since bid price has gone much higher than it was anticipated, it is likely to take longer time for BSNL to recover the price paid for 3G Spectrum.

REIMBURSEMENT OF LICENSE FEE

7.5 According to BSNL, the New Telecom Policy-1999 provides for full reimbursement of the license fee paid by BSNL for its mobile services. In the first 5 years of formation of BSNL, the same was reimbursed. However, subsequently the reimbursement has been stopped by the Government. It was further stated that since the price of 3G and BWA Spectrum had gone much higher than the reserved price, BSNL had requested the Department of Telecommunication to reimburse the price of the Spectrum. The Department of Telecommunication accordingly requested the Ministry of Finance to favorably consider the request of BSNL/MTNL for reimbursement of 3G and BWA Spectrum charges. However, the Ministry of Finance did not accept the request.

7.6 DoT in written reply has stated that BSNL's request for reimbursement of 3G and BWA spectrum charges has not been acceded to by the competent authority due to the following: -

- (a) One of the terms of allotment of spectrum to BSNL was that BSNL would have to pay a onetime spectrum fee at a price equal to the highest bid, and determined through the auction of 3G and BWA services. This condition was also incorporated in the Notice Inviting Applications (NIA). Thus, the present request of BSNL for the reimbursements of the amounts is contrary to the agreed terms and conditions and cannot be supported at this belated stage.
- (b) If the request of reimbursement is accepted in case of BSNL, level playing field considerations can be invoked by other market participants and the issue is therefore fraught with legal considerations.

In this connection, the Secretary, DoT, while deposing before the Committee on 11, December, 2012 stated as follows:

“keeping in mind the huge amounts paid for spectrum have given a proposal for surrender of some part of spectrum because what the private companies did is that they did not bid for spectrum for the whole country. Somebody has bid for one part; somebody else has bid for another part; then they have formed an alliance and use that spectrum. So, the BSNL has now reevaluated and suggested that in some areas they would like to surrender the spectrum and that they should be compensated for that. That is something that we are looking at and we will have to examine it in consultation with the Finance Ministry how to make that adjustment for BSNL.”

AVAILABILITY OF 3G HANDSETS

7.7 The Committee have been informed by the Company that 3G services are likely to gain full momentum after the availability of affordable 3G handsets and user friendly applications. Explaining the steps being taken in this direction, the Company in its written reply stated that it has done the agreement with hand set manufacturers and offers 3G plans bundled with these handsets. BSNL has also procured 3G data cards directly from the market and sells these to customers with 3G plans. BSNL has done agreement with many value added services providers and these services are being offered to the customers.

PART – II

OBSERVATIONS /RECOMMENDATIONS OF THE COMMITTEE

The Committee are unhappy about the dismal performance of BSNL during the last few years, partly due to managerial deficiencies and partly due to factors beyond the control of BSNL management. The Company which earned a net profit of as much as Rs. 10183 Cr. in 2004-05 started incurring huge losses from the year 2009-10 onwards. The Company's loss was Rs. 1823 cr. in 2009-10 which jumped to 6384 Cr. in 2010-11 and further increased to Rs. 8851 Cr. in 2011-12. The deteriorating performance of BSNL is observed to be mainly on account of steady decline in the Company's income from Rs.38053 Cr. in 2007-08 to Rs. 27934 Cr. in 2011-12, attributable to steep decline in land line revenue and other factors. The Company's expenditure also went up from Rs. 33636 Cr in 2007-08 to Rs. 36586 Cr in 2011-12 consequent upon pay revision, reduction in financial support from the Government, etc. Delay in capacity expansion due to cancellation of tenders relating to the procurement of essential equipments also impacted the Company's performance considerably. The Committee received an impression that interests of BSNL were neglected by the Government for long. It is only now, steps are being taken to augment BSNL's revenue through Government projects, exploiting the potential in broadband services, exploiting idle assets and through other measures. Telecom Secretary was hopeful when he appeared before the Committee that over the next three to four years BSNL's turnaround will be possible. The Committee require the DoT and BSNL to implement all the proposed measures of turnaround strategy in right earnest and ensure that BSNL achieves breakeven at the earliest.

2. There have been steady decline in BSNL's market share of wireline connections from 82.75% as on 31.3.2007 to 69.73 % as on 31.9.2012. BSNL's capacity utilization in landline segment also fell from 61.8% as on 30.09.2009 to 52.66% as on 30.09.2012. The Committee are not satisfied with the BSNL's explanation that substitution of landline phones by mobile phones/surrender of

extra wireline telephones causes the fall in landline market shares. The committee note in this connection that wireline market share of private players went up from 8.13% to 20.16% during the same period. The Committee feel that the fall in BSNL's market share has something to do with its quality of service which has been way below compared to that of private operators. The Committee emphasize that management of BSNL should take urgent steps to improve its customer service and regain the confidence of customers through efficient service to ensure full utilization of its landline capacity.

3. The committee observe that the main reasons for BSNL's fall in its market share in wireless segment from 18.66% as on 31-03-2007 to 10.99% as on 31.09.2012 was due to impediments in augmenting its capacity of mobile network and consequent congestion in various pockets. BSNL, for reasons beyond its control, could not procure any equipment for GSM network during the last five years due to repeated cancellation of tenders for procurement of 93 million lines in the year 2008. The Committee note the Telecom Secretary's admission that in the past there were some delays on account of procedural factors which adversely affected the performance of BSNL. The Committee deprecate the way the BSNL has to face inordinate delay in procurement of equipments essential for its expansion of mobile network. The repeated cancellation of tenders and consequent undue long delay in this regard was either due to Government's procedural requirement or due to Government's security guidelines or due to vendor's complaints/litigation. The Committee feel that it is high time that DoT looks into the matter afresh and streamline the system in such a way that BSNL is able to procure its much needed equipments within a time frame comparable to its competitors. Alternatively, BSNL should be compensated for the losses it suffers on adhering to Government prescribed procedural requirements.

4. The Committee desire that the procurement process of new tender finalized recently be completed expeditiously and ensure speedy capacity augmentation and network expansion under intimation to the Committee.

5. One of the factors which adversely affects BSNL's performance relates to services provided by it, which are uneconomical but socially desirable. BSNL was

compensated initially for these services through reimbursement of license fee and spectrum charges from 2001-02, subsequently, through Access Deficit Charges (ADC) from May 2003 and later through Universal service obligation fund as subsidy for rural wireline network from July 2008 to February, 2011. TRAI is stated to have recommended the subsidy for two years from July 2011 – Rs. 1500 Crore for the first year and Rs. 1250 Crore for the second year. The release of amount for the first year is stated to have since been cleared. The Committee are of the view that there should be a level playing field for BSNL and private operators. The Committee desire that BSNL should not be put to any disadvantage because of operation of uneconomical services mandated by the Government and should continue to be compensated for this purpose.

6. The Committee observe that the Company earns revenue by monetizing the huge assets of land and building, towers and bandwidth. The Committee have been assured by the Telecom Secretary that BSNL will not dispose its land and other assets. BSNL has only been allowed to utilize idle assets in a productive manner. The Committee hope that such efforts will add to the revenue of BSNL. The Committee would like to know how much has been earned through such efforts during each of the last three years.

7. The Committee have been informed that Sam Pitroda Committee in its report on restructuring of BSNL has, *inter-alia*, recommended for substantially changing the procurement procedures using tools like e-procurement, vendor rating, rate running contracts, schedules etc. Pitroda Committee has also recommended 'managed capacity' model for procurement and 'managed service model' for giving operation and maintenance to the vendor. This is presently not possible in BSNL set up due to availability of surplus manpower to maintain the network. However, the 'managed capacity model' has been followed in case of providing Value Added Services as well as Call centers. The Committee hope that necessary steps will be taken to implement the aforesaid recommendations of Pitroda Committee at the earliest.

8. The Committee find that there is huge potential for BSNL to exploit in broadband service segment in rural areas. As against 5,93,601 inhabited villages

only 1,69,201 villages constituting 28.5% have been covered with broadband connectivity as on 30.09.2012. According to BSNL's Annual Report (2011-12), huge Copper Line Network, Optical Fibre Cable connectivity will enable the Company in tapping the vast broadband opportunities thrown open for grabbing by the changing market dynamics. The Committee desire that BSNL should evolve suitable tariff rates and marketing strategies to exploit the full potential of broadband segment. The Committee are of the opinion that if the Company optimally utilizes its rural infrastructure and capitalize on its strengths, the revenue so generated would help its turnaround. The Committee urge that problems such as irregular functioning of mobile towers, incidents of thefts, and modernization of telephone exchanges in rural areas need to be dealt with on priority basis in order to improve telephone service connectivity in rural areas.

9. Though staff strength of BSNL has come down from 3.97 lakhs in the year 2000 to 2.58 lakhs as on 30.09.2012, Sam Pitroda Committee has held the view that around 1 lakh employees (wage cost of Rs. 5000) crore are redundant and may be dispensed with through best possible processes like VRS. The Committee note that staff cost was about Rs. 13,406 crore in 2011-12 i.e. almost 50 per cent of its revenue, which is abnormally on the higher side as compared to private companies whose expenditure is stated to be in the range of 5-10 per cent. BSNL has requested the Government to provide Rs.18,000 crore to implement VRS scheme which is stated to be under the consideration of the Government. The Committee desire that the request be considered sympathetically and an expeditious decision taken in the matter. The Committee also suggest that BSNL should identify the divisions/areas which are burdened with excessive staff and work out a plan for their redeployment to other suitable sections/ departments

10. The Committee regret to note that even eight years after commencing the process for absorption of Group 'A' officers of DoT in BSNL, the process has not been completed. The Committee desire that the Government should take up this issue with due promptitude and complete the process without any further delay. The Committee are of the view that excessive dependence of BSNL on the deputationist officers for handling important managerial posts is not in the best

interests of the Company, as they may not have a sense of belonging. The Committee, therefore, desire that the Company should expedite the process of building up its own cadre and complete the same within a time bound period.

11. The Committee note that BSNL is not only beset with large number of employees but also the skills of majority of these employees do not suit or align with the requirement for rendering services to the growing mobile and broadband customers against the backdrop of emerging modern technologies. Though BSNL has taken for upgrading the skills of its employees through training programs and corporate restructuring initiatives, the Committee feel that there is an imperative need to have more such programme at frequent intervals so as to reorient and upgrade the skills of legacy manpower in view of the demand of modern telecom market. Considering the fact that the Company has entered into the 3G market, the Committee feel that there is an urgent need to induct fresh and professional talent in the organization to meet the need of the rapidly changing telecom market. The Committee, therefore, recommend that the Company should expeditiously fill up the vacant posts meant for the skilled staff so as to have a pool of employees who can deliver as per the requirements of the Company in a highly competitive telecom market. The Committee also desire that until the recruitment process for required skilled staff is completed the Company should evolve a plan for rational deployment of its manpower in accordance with the various operational needs so as to deal with the shortage of skilled manpower.

12. The Committee have been informed that recommendations of the Sam Pitroda Committee were discussed in the full Telecom Commission meeting and an internal committee under the Chairmanship of Member (Services) has been constituted to give its recommendations on the report. The Committee would like to be apprised of the Internal Committee's reports and action taken thereon.

13. The Committee further note that BSNL has engaged a professional consultant M/s Boston Consultancy Group (BCG) to improve its overall performance and change the management structure. Based on the recommendations of BCG, BSNL has reportedly restructured itself into four business verticals viz Consumer Mobility, Consumer Fixed Access, Enterprise

and New Business. The Committee trust that the restructuring of the company would give a professional orientation to its functioning and help the company in improving its performance to desired level. The Committee would like to be apprised of the impact of the restructuring on the overall performance of the company.

14. For revival of BSNL, action is reportedly being taken on several fronts and given the kind of spread and presence the BSNL is having, clearly there are opportunities for BSNL to take advantage of these opportunities more than the other players who may not have such a wide presence in rural areas. Further, the BSNL has the highest spread of infrastructure in terms of optical fibre across the country and it is being worked out how such infrastructure could be better leveraged. The Committee feel that Company's widespread infrastructure and future business potential in telecom market offers immense possibility of turnaround of the Company. The Committee, therefore, recommend that it is imperative that the Government finalize a concrete revival plan and take necessary steps to enable the Company to harness the emerging opportunities in telecom sector.

15. The Committee have been informed by the Secretary, DoT that BSNL has made a proposal for surrender some part of the spectrum under its possession. The Committee urge the Government to consider the request of the BSNL expeditiously keeping in view the BSNL's poor financial condition.

New Delhi:
29 April, 2013
09 Vaisakha, 1935 (Saka)

SHRI JAGDAMBIKA PAL,
Chairman,
Committee on Public Undertakings.

**MINUTES OF THE 10th SITTING OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS (2010-11) HELD ON 25th AUGUST, 2010**

The Committee sat from 1645 hrs to 1830 hrs.

PRESENT

Chairman

Shri V. Kishore Chandra S. Deo

Members, Lok Sabha

- | | |
|---|---|
| 2 | Shri Ramesh Bais |
| 3 | Shri Shailendra Kumar |
| 4 | Shri Baijayant Panda |
| 5 | Chaudhary Lal Singh |
| 6 | Shri Ganesh Singh |
| 7 | Shri Rajiv Ranjan Singh alias Lalan Singh |

Members, Rajya Sabha

- | | |
|----|------------------------------|
| 8 | Shri Birendra Prasad Baishya |
| 9 | Shri Prakash Javadekar |
| 10 | Shri Bharatkumar Raut |
| 11 | Ms. Mabel Rebello |
| 12 | Dr. T. Subbarami Reddy |
| 13 | Shri Tapan Kumar Sen |

Secretariat

- | | | |
|----|-------------------------|---------------------|
| 1. | Shri J.P. Sharma | Joint Secretary |
| 2. | Shri Ravindra Garimella | Additional Director |
| 3. | Shri Ajay Kumar Garg | Additional Director |

Representatives of Bharat Sanchar Nigam Limited

- | | | |
|---|--------------------|-----------------------------------|
| 1 | Shri Gopal Das | CMD, BSNL |
| 2 | Shri R.K. Agarwal | Director (Consumer Mobility) |
| 3 | Shri Rajesh Wadhwa | Director (Consumer Fixed Access) |
| 4 | Shri S.R. Kapoor | Executive Director (Finance) |
| 5 | Shri J.K. Roy | Executive Director (Corp. Affair) |

2. The Chairman welcomed the representatives of Bharat Sanchar Nigam Limited (BSNL) and drew their attention to Direction 58 of the Directions by the Speaker relating to evidence before the Parliamentary Committees. The representatives of BSNL made a power point presentation on the subject. The Chairman and Members raised queries on

various aspects pertaining to the subject and the explanations/clarifications on the same were given by the representatives of BSNL. Information on some of the points raised by the Committee was not readily available with the representatives of BSNL. They were therefore asked to furnish the same to the Committee Secretariat at the earliest possible.

3. The Chairman then thanked the representatives of BSNL for providing all the information on the subject matter as desired by the Committee.

4. *The witnesses then withdrew.*

(Verbatim record of evidence has been kept.)

The committee then adjourned.

**MINUTES OF THE 11th SITTING OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS (2010-11) HELD ON 21st SEPTEMBER, 2010**

The Committee sat from 1100 hrs to 1315 hrs.

PRESENT

Chairman

Shri V. Kishore Chandra S. Deo

Members, Lok Sabha

- | | |
|---|---|
| 2 | Shri Ramesh Bais |
| 3 | Shri Ambica Banerjee |
| 4 | Shri Anant Kumar Hegde |
| 5 | Shri Shailendra Kumar |
| 6 | Shri Baijayant Panda |
| 7 | Shri Ganesh Singh |
| 8 | Shri Rajiv Ranjan Singh alias Lalan Singh |

Members, Rajya Sabha

- | | |
|----|------------------------------|
| 9 | Shri Birendra Prasad Baishya |
| 10 | Shri Naresh Gujral |
| 11 | Shri Prakash Javadekar |
| 12 | Shri Bharatkumar Raut |
| 13 | Ms. Mabel Rebello |
| 14 | Shri Tapan Kumar Sen |

Secretariat

- | | | |
|----|-------------------------|---------------------|
| 1. | Shri Rajeev Sharma | Director |
| 2. | Shri Ravindra Garimella | Director |
| 3. | Shri Ajay Kumar Garg | Additional Director |

Representatives of Department of Telecommunications

- | | | |
|---|----------------------------|----------------------|
| 1 | Shri R. Chandrashekhar | Secretary, DIT & DoT |
| 2 | Shri Chandra Prakash | Member (IT) |
| 3 | Mrs. Vijaylakshmi K. Gupta | Member (F) |
| 4 | Shri Ajay Bhattacharya | Admn., USOF |
| 5 | Smt. Sadhana Dikshit | Adv. (F) |

2. The Committee took oral evidence of the representatives of Ministry of Communications and Information, Department of Telecommunications (DoT) regarding the comprehensive examination of BSNL and XXXX. At the outset, the Chairman welcomed the representatives of DoT and drew their attention to Direction 58 of the

Directions by the Speaker relating to evidence before the Parliamentary Committees. Then, the representatives of DoT made a power point presentation on the subject. Thereafter, the Chairman and Members raised queries on various aspects pertaining to the subject and the explanations/clarifications on the same were given by the representatives of DoT. Information on some of the points raised by the Committee was not readily available with the representatives of DoT. They were therefore asked to furnish the same to the Committee Secretariat at the earliest possible.

3. The Chairman then thanked the representatives of DoT for providing all the information on the subject matter as desired by the Committee.

4. *The witnesses then withdrew.*

(Verbatim record of evidence has been kept.)

The committee then adjourned.

**MINUTES OF THE 12th SITTING OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS (2012-13)**

The Committee sat on Friday, the 16th November, 2012 from 1500 hrs to 1645 hrs in Committee Room '074', Parliament Library Building, New Delhi.

PRESENT

Chairman

Shri Jagdambika Pal

Members, Lok Sabha

- | | |
|---|----------------------------------|
| 2 | Shri Hansraj G. Ahir |
| 3 | Shri Ambica Banerjee |
| 4 | Dr. Mahesh Joshi |
| 5 | Dr. (Smt.) Botcha Jhansi Lakshmi |

Members, Rajya Sabha

- | | |
|---|--------------------------|
| 6 | Shri Janardan Dwivedi |
| 7 | Shri Naresh Gujral |
| 8 | Shri Mukhtar Abbas Naqvi |

Secretariat

- | | |
|-------------------------|---------------------|
| 1. Shri A. Louis Martin | Joint Secretary |
| 2. Rajeev Sharma | Director |
| 3. Shri Ajay Kumar Garg | Additional Director |

Representatives of Department of Telecommunications and BSNL

- | | | |
|---|---------------------|--------------------------|
| 1 | Shri N. Ravishankar | Administrator, USOF, DoT |
| 2 | Shri R.K. Upadhyay | CMD, BSNL |

2. The Committee met to take oral evidence of the representatives of the Ministry of Communications and Information Technology (Department of Telecommunications) and Bharat Sanchar Nigam Limited (BSNL) in connection with examination of BSNL.

3. At the outset, the Chairman welcomed the representatives of the Department of Telecommunications and BSNL and drew their attention to Direction 58 of the Directions by the Speaker regarding evidence before the Parliamentary Committees.

4. The representatives of DoT/BSNL then made a brief power point presentation on the subject. During the course of discussion, the Chairman and Members raised queries on various aspects pertaining to the subject and the explanations / clarifications on the same were given by the representatives of DoT/BSNL. They also assured the Committee that written replies to the remaining queries, which could not be responded then, will be furnished to the Secretariat at the earliest.

(Verbatim record of evidence has been kept)

The Committee then adjourned.

**MINUTES OF THE 14th SITTING OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS (2012-13)**

The Committee sat on Thursday, the 11th December, 2012 from 1500 hrs to 1630 hrs in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Chairman

Shri Jagdambika Pal

Members, Lok Sabha

- | | |
|---|---|
| 2 | Shri Ambica Banerjee |
| 3 | Shri Shailendra Kumar |
| 4 | Dr. (Smt.) Botcha Jhansi Lakshmi |
| 5 | Shri Vilas Muttemwar |
| 6 | Shri Ponnamp Prabhakar |
| 7 | Shri Nama Nageswara Rao |
| 8 | Shri Uday Singh |
| 9 | Shri Bhisma Shankar alias Kushal Tiwari |

Members, Rajya Sabha

- | | |
|----|-----------------|
| 10 | Shri Anil Desai |
|----|-----------------|

Secretariat

- | | | |
|----|----------------------|---------------------|
| 1. | Shri A. Louis Martin | Joint Secretary |
| 2. | Rajeev Sharma | Director |
| 3. | Shri Ajay Kumar Garg | Additional Director |

Representatives of Department of Telecommunications and BSNL

- | | | |
|----|------------------------|---------------------|
| 1 | Shri R. Chandrashekhar | Secretary, DoT |
| 2 | Shri S.C. Misra | Members (S) |
| 3 | Shri J.K. Roy | Member (T) |
| 4 | Ms. Sadhana Dikshit | Advisor (Finance) |
| 5 | Shri N. Ravi Shanker | Admn. (USOF) |
| 6 | Smt. Rita Teatota | Addl. Secretary (T) |
| 7 | Shri Malay Srivastava | Joint Secretary (T) |
| 8 | Shri B.B. Kaura | Joint Secretary A) |
| 9 | Shri A.K. Garg | CMD, BSNL |
| 10 | Shri R.K. Upadhyay | CMD, MTNL |

2. The Committee held further discussion with the representatives of the Ministry of Communications and Information Technology (Department of Telecommunications (DoT)) and Bharat Sanchar Nigam Limited (BSNL) in connection with examination of BSNL.
3. At the outset, the Chairman welcomed the representatives of the DoT and BSNL and drew their attention to Direction 58 of the Directions by the Speaker regarding evidence before the Parliamentary Committees.
4. The Chairman and Members then raised questions on various aspects pertaining to the functioning of BSNL like their physical and financial performance, tender for procurement of equipment, enhancement in landline connectivity, effective utilization of manpower, reviving of BSNL, etc. Explanation/clarification on the same were given by the representatives of DoT and BSNL. In respect of points for which information was not readily available with the representatives of DoT/BSNL, they were asked to furnish the same to the Committee Secretariat at the earliest.
5. *A copy of the verbatim proceedings has been kept on record separately.*
6. *The Committee then adjourned.*

4. Thereafter, the Committee took up for consideration the draft Reports on Bharat Sanchar Nigam Limited and XXXXX and after some deliberations adopted the same without any changes.

5. XXXX XXXX XXXX

6. The Committee then authorized the Chairman to finalise the Reports on the basis of factual verification and present the same to Parliament.

7. As the Committee's term will end on 30.04.2013, the Chairman thanked the members for their co-operation in smooth functioning of the Committee during the term and placed on record his appreciation for the valuable contribution and active participation of the members in the proceedings of the Committee.

The Committee then adjourned.

XXXX **MATTER NOT RELATED TO THIS REPORT.**