

CPU. No. 978

32

THIRTY-SECOND REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS

(2013-2014)

(FIFTEENTH LOK SABHA)

BHARAT SANCHAR NIGAM LIMITED

MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY
(DEPARTMENT OF TELECOMMUNICATIONS)

(Action taken by the Government on the Observations / Recommendations
contained in the Twenty-fourth Report of the Committee on Public
Undertakings on Bharat Sanchar Nigam Limited)



Presented to Lok Sabha on 18.02.2014

Laid on the Table of Rajya Sabha on 18.02.2014

LOK SABHA SECRETARIAT

NEW DELHI

FEBRUARY 2014 / MAGHA 1935 (S)

CONTENTS

	Page No.
COMPOSITION OF THE COMMITTEE	(iii)
INTRODUCTION	(v)
CHAPTER I Report	
CHAPTER II Observations/Recommendations which have been accepted by Government	
CHAPTER III Observations/Recommendations which the Committee do not desire to pursue in view of the Government Replies	
CHAPTER IV Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration	
CHAPTER V Observations/Recommendations in respect of which final replies of the Government are still awaited	

APPENDIX

Minutes of the Sitting held on 17 February 2014.

ANNEXURE

Analysis of the action taken by Government on the Observations / Recommendations contained in the Twenty-fourth Report of Committee on Public Undertakings on 'Bharat Sanchar Nigam Limited'

COMPOSITION OF THE
COMMITTEE ON PUBLIC UNDERTAKINGS
(2013-2014)

Chairman

Shri Jagdambika Pal

Members, Lok Sabha

2. Shri Hansraj Gangaram Ahir
3. Shri Praveen Singh Aron
4. Shri Sanjay Bhoi
5. Smt. Shruti Choudhary
6. Shri Bansa Gopal Chowdhury
7. Shri Raja Ram Pal
8. Shri Adhalrao Shivaji Patil
9. Shri Rajendrasinh Rana
10. Shri Nama Nageswara Rao
11. Shri Magunta Sreenivasulu Reddy
12. Prof. Saugata Roy
13. Smt. Sushila Saroj
14. Shri Uday Singh
15. Shri Bhisma Shankar *alias* Kushal Tiwari

Members, Rajya Sabha

16. Shri Naresh Agrawal
17. Shri Anil Desai
18. Shri Janardan Dwivedi
19. Shri Naresh Gujral
20. Shri Mukhtar Abbas Naqvi
21. Shri Tapan Kumar Sen
22. Dr. Janardhan Waghmare

Secretariat

- | | | |
|----|-----------------------|---------------------|
| 1. | Shri A. Louis Martin | Joint Secretary |
| 2. | Shri P.C. Koul | Director |
| 3. | Shri M.K. Madhusudhan | Additional Director |
| 4. | Shri Yogendra Singh | Executive Officer |

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorized by the Committee to submit the Report on their behalf, present this Thirty-second Report on action taken by the Government on the Observations / Recommendations contained in the Twenty-fourth Report of the Committee on Public Undertakings (2012-13) on Bharat Sanchar Nigam Limited.

2. The Twenty-fourth Report of the Committee was presented to Lok Sabha and laid on the Table of Rajya Sabha on 30 April 2013. The Action Taken Replies to all the 15 Observations / Recommendations contained in the Report were received from the Government on 27 December 2013. The Committee on Public Undertakings considered and adopted this Report at their Sitting held on 17 February 2014.

3. An analysis of the action taken by the Government on the Observations/ Recommendations contained in the Twenty-fourth Report is given in Annexure.

**New Delhi:
17 February 2014
28 Magha 1935(S)**

**JAGDAMBIKA PAL
Chairman
Committee on Public Undertakings**

CHAPTER - I

REPORT

This Report of the Committee deals with the action taken by the Government on the Observation / Recommendations contained in the Twenty-fourth Report of the Committee on Public Undertakings (2012-13) on Bharat Sanchar Nigam Limited which was presented to Lok Sabha and laid on the Table of Rajya Sabha on 30 April, 2013.

2. The action Taken Replies to all the 15 Observations/ Recommendations contained in the Report were received from the Government on 27 December, 2013. These replies have been categorized as follows:

- (i) Observations / Recommendations which have been accepted by the Government (Chapter II)
Sl. Nos. 1,3,4,6,8,9,10,12,13,14 and 15 (Total 11)
- (ii) Observations / Recommendations which the Committee do not desire to pursue in view of the Government's replies (Chapter III)
(NIL)
- (iii) Observations / Recommendations in respect of which replies of the Government have not been accepted by the Committee (Chapter IV)
Sl. Nos. 5,7 and 11 (Total 03)
- (iv) Observations/ Recommendations in respect of which final replies of the Government are still awaited (Chapter V)
Sl. No. 2 (Total 01)

3. The Committee desire that final reply on the Observation/Recommendation to which interim reply has been furnished and also response to their comments in Chapter-I of the Report should be furnished to them expeditiously.

4. The Committee will now deal with the action taken by the Government on some of the Recommendations in the succeeding paragraphs.

Recommendation at Sl. No. 1

5. The Committee in their Twenty-fourth Report had noted the steady decline in BSNL's market share of wireline connections from 82.75% as on 31 March, 2007 to 69.73 % as on 31 September, 2012 and its capacity utilization in landline segment had also fallen from 61.8% as on 30 September, 2009 to 52.66% as on 30 September, 2012. Not satisfied with the BSNL's explanation that substitution of landline phones by mobile phones/surrender of extra wireline telephones had caused the fall in landline market shares and noting that the wireline market share of private

players had gone up from 8.13% to 20.16% during the same period, the Committee had felt that the fall in BSNL's market share had something to do with its quality of service which has been way below compared to that of private operators and had, therefore, recommended the management of BSNL to 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.

6. In their Action Taken Reply, the Government have stated that the constraints faced by BSNL in providing quality of service in wire line services are as under:

- (a) Large scale damage to underground cables by NHAI, PWD and local authorities due to massive road expansion and repair works and obstacles in digging of roads for repairs and relaying of underground cables.
- (b) Poor availability of commercial electric power supply in rural telecom installations particularly in the States of Bihar, Uttar Pradesh, Odisha, Maharashtra etc.

7. It has been further submitted that to improve the Quality of Service in Wireline Network, following steps are being taken / planned:

- (i) Rehabilitation and up gradation of external plant.
- (ii) Close monitoring of Quality of service parameters to adhere to the benchmarks stipulated by TRAI
- (iii) Introduction of effective network management system.
- (iv) Coordination with local bodies to minimise cable damages due to road works.
- (v) Replacement of faulty telephones whenever required.
- (vi) AMC of the telecom equipment and instruments has been done.
- (vii) Continuous improvement in customer care is being done through Project Smile. Around 4000 new Customer Service Centres (CSCs) are being upgraded with single window clearance concept and Information Technology enabled change business processes.
- (viii) Battery sets at number of places have been planned for replacement.

8. BSNL has taken the following steps for improving the wireline services and for optimizing the utilization of its wireline capacity.

- (a) BSNL has planned to make the entire wireline exchanges, IP enabled in next five years starting from FY 2013-14. With the migration to/ replacement by Next Generation Network (NGN), it will be possible to provide value added services to our wireline customers.
- (b) The migration process is planned to be implemented through following projects:-
 - (i) Replacement of Digital Telephone Exchanges by NGN (Next Generation Network) equipment: it is planned to deploy NGN gradually and replace the

- entire Digital Telephone Exchanges (OCB, EWSD, AXE and 5ESS TDM types). The tender for 4 Million Ports has been finalized, and order placed for first phase.
- (ii) Migration of C-DOT TDM Switches to NGN C-5 (C-DoT MAX NG): BSNL has signed a MOU with C-DoT on 19 Dec, 2012 as part of encouraging indigenous development of technology. BSNL has planned migrating C-DOT TDM technology exchanges with NGN solution. In the next one year 100, existing C-DOT exchanges shall be upgraded to NGN i.e. 50 C-DoT MAX sites in North and East Zones each. The migration shall result in reduction of operational cost along with ease of induction of new value added services to the landline customers.
 - (c) Re-deployment of RSUs/RLUs: BSNL has issued instructions to optimize the capacity utilization by making rearrangement of deployed exchanges and re-deploy the spare RLUs/ RSUs to new developed / developing area.
 - (d) Providing Value Added services- With the migration to NGN network, BSNL will be able to offer following value added services to its wireline customers.
 - Games on Demand (GoD), Music on demand (MoD) and Video surveillance to BB customers.
 - Voice & Video over Broadband (VVoBB) services for BB customers.
 - Personalized Ring Back Tone (PRBT) as well as Multimedia Ring Back Tone (MRBT), an advanced version of Colour Ring Back Tone (CRBT) to PSTN subscribers.
 - Wide Area IP Centrex- IP Centrex allows small and medium size enterprises to deploy PABX/ CUG service without really installing system physically in their premises.
 - Multimedia video conferencing service will be available across the country.
 - The Prepaid solution will be provided with all functionalities to provide voice, video and data pre-paid services including roaming.
 - Fixed Mobile convergence (FMC) services by using the NGN-IMS core along with the PSTN Access network and already deployed Mobile network.
 - (e) BSNL is in process to start Hotspot broadband services for broadband customers.

9. The Committee take note of the various measures taken/initiated by the Government for improving the quality of service in wireline services, network and optimum utilization of wireline capacity of BSNL. All these initiatives have the potential of changing the fortunes of the Company if implemented earnestly and with promptitude. However, the Committee are constrained to observe that there is no mention in the Reply as to whether the measures taken had resulted in any tangible benefits in terms of arresting the trend of surrender of wireline telephone by subscribers and addition of new customers for landline services. Further, there is nothing in the Reply to indicate whether any steps have been taken to gauge the satisfaction level and to regain the confidence of customers.

The Committee, therefore, urge the Government to conduct immediately an impact assessment study of the various measures taken by BSNL for improving its wireline network/services at ground level in terms of increase in subscriber base of landline service, its overall market share and the level of customer satisfaction and share the outcome with the Committee at the earliest.

Recommendation at Sl. No. 2

10. Not satisfied with the BSNL's explanation that substitution of landline phones by mobile phones/surrender of extra wireline telephones was the cause of the fall in its landline market shares and also noting that wireline market share of private players went up from 8.13% to 20.16% during the same period, the Committee had felt that the fall in BSNL's market share had something to do with its quality of service which has been way below compared to that of private operators. They had, therefore, recommended 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.

11. In their Action Taken Reply the Government have stated that the constraints faced by BSNL in providing quality of service in wire line services are given below:

- (a) Large scale damages to underground cables by NHAI, PWD and local authorities due to massive road expansion and repair works and obstacles in digging of roads for repairs and relaying of underground cables.
- (b) Poor availability of commercial electric power supply in rural telecom installations particularly in the states of Bihar, Uttar Pradesh, Odisha, Maharashtra etc.

12. To improve the Quality of Service in Wireline Network, following steps are being taken / planned:

- (i) Rehabilitation and up gradation of external plant.
- (ii) Close monitoring of Quality of service parameters to adhere to the benchmarks stipulated by TRAI
- (iii) Introduction of effective network management system.
- (iv) Coordination with local bodies to minimise cable damages due to road works.
- (v) Replacement of faulty telephones whenever required.
- (vi) AMC of the telecom equipment and instruments has been done.
- (vii) Continuous improvement in customer care is being done through Project Smile. Around 4000 new Customer Service Centres (CSCs) are being upgraded with single window clearance concept and Information Technology enabled change business processes.
- (viii) Battery sets at number of places have been planned for replacement.

13. BSNL has taken the following steps for improving the wireline services and for optimizing the utilization of its wireline capacity.

- (a) BSNL has planned to make the entire wireline exchanges, IP enabled in next five years starting from FY 2013-14. With the migration to/ replacement by Next Generation Network (NGN), it will be possible to provide value added services to our wireline customers.
- (b) The migration process is planned to be implemented through following projects:-
 - (i) Replacement of Digital Telephone Exchanges by NGN (Next Generation Network) equipment: it is planned to deploy NGN gradually and replace the entire Digital Telephone Exchanges (OCB, EWSD, AXE and 5ESS TDM types). The tender for 4 Million Ports has been finalized, and order placed for first phase.
 - (ii) Migration of C-DOT TDM Switches to NGN C-5 (C-DoT MAX NG): BSNL has signed a MOU with C-DoT on 19th Dec, 2012 as part of encouraging indigenous development of technology. BSNL has planned migrating C-DOT TDM technology exchanges with NGN solution. In the next one year 100, existing C-DOT exchanges shall be upgraded to NGN i.e. 50 C-DoT MAX sites in North and East Zones each. The migration shall result in reduction of operational cost along with ease of induction of new value added services to the landline customers.
- (c) Re-deployment of RSUs/RLUs: BSNL has issued instructions to optimize the capacity utilization by making rearrangement of deployed exchanges and re-deploy the spare RLUs/ RSUs to new developed / developing area.
- (d) Providing Value Added services- With the migration to NGN network, BSNL will be able to offer following value added services to its wireline customers.
 - Games on Demand (GoD), Music on demand (MoD) and Video surveillance to BB customers.
 - Voice & Video over Broadband (VVoBB) services for BB customers.
 - Personalized Ring Back Tone (PRBT) as well as Multimedia Ring Back Tone (MRBT), an advanced version of Colour Ring Back Tone (CRBT) to PSTN subscribers.
 - Wide Area IP Centrex- IP Centrex allows small and medium size enterprises to deploy PABX/ CUG service without really installing system physically in their premises.
 - Multimedia video conferencing service will be available across the country.
 - The Prepaid solution will be provided with all functionalities to provide voice, video and data pre-paid services including roaming.
 - Fixed Mobile convergence (FMC) services by using the NGN-IMS core along with the PSTN Access network and already deployed Mobile network.
- (e) BSNL is in process to start Hot spot broadband services for broadband customers.

14. The Committee note with satisfaction the various steps undertaken by BSNL in order to usher in improvement in quality of service, customer satisfaction in its landline operations. They, however, find that most of the measures are at proposal stage or in preparatory stage. Since time is of essence in all these endeavours, the Committee desire BSNL to undertake and complete action on all these measures at the earliest so that not only the decline in its market share is arrested but its turnaround is also ensured.

Recommendation at Sl. No. 3

15. Noting that the main reasons for fall in BSNL's market share in wireless segment from 18.66% as on 31 March, 2007 to 10.99% as on 31 September, 2012 was due to impediments in augmenting its capacity of mobile network and consequent congestion in various pockets as BSNL, due to 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 while deprecating the fact that 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, had asked Department of Telecommunications to look into the matter afresh and streamline the system in such a way that BSNL is able to procure its much needed equipment within a time frame comparable to its competitors. They had further recommended that alternatively BSNL should be compensated for the losses it suffers on adhering to Government prescribed procedural requirements.

16. The Department of Telecommunications in their Action Taken Reply have informed that a committee comprising of officers from BSNL and MTNL has been constituted which will review the existing procurement manual of both the PSUs and the limitations, if any, of the procedures/guidelines and submit its recommendations to the Department. Procurement thorough e-tendering had been implemented in BSNL. In the e-procurement, the detailed NIT & tender documents are uploaded on e-portal. The vendor is required to submit his bids electronically, which are downloaded. The e-tendering system also prepares a comparative statement. It is also possible to have e-reverse auction for better price.

17. The Committee note that in pursuance of their Recommendation a committee comprising of Officers from BSNL and MTNL has been constituted by DoT to review the existing procurement manual of BSNL/MTNL. Given the fact that BSNL has already suffered incalculably for no fault of the Company, the Committee expect the DoT to not only ensure that the said Committee finalises its Report and submit the same to them at earliest but further action on the part of DoT is also taken on highest priority in the interest of the Company.

Recommendation at Sl. No. 4

18. In their Twenty-fourth Report the Committee had desired 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.

19. In their Action Taken Reply the Government have stated that BSNL has concluded the tendering process of 14.37 million lines for augmentation of GSM capacity in North Zone, South Zone & East Zone. Work order had been issued to the finalized vendor and the roll out of the same is under process. For West Zone the capacity was reserved for M/s ITI, a CPSE. Since, M/s ITI expressed its inability to accept the reservation quota order, therefore tenders for expansion of GSM network by 0.63 Million lines have been invited.

20. The Committee note with appreciation that the Government have taken prompt action on their instant Recommendation and work order has been issued to the finalized vendor for 14.37 million lines and the roll out of the same is under process. They are, however, perturbed to find that for West Zone, ITI has expressed its inability to accept the capacity reserved for it. Consequently, tenders for expansion of GSM network by 0.63 million lines had to be invited afresh. While exhorting BSNL to expedite the tender process and other requisite formalities for these 0.63 million lines to facilitate fast roll out, the Committee also desire to be apprised of the reasons which led ITI to back out and why BSNL could not anticipate this eventuality in advance.

Recommendation at Sl. No. 5

21. The Committee having noted that one of the factors adversely affecting BSNL's performance related to services provided by it, which are uneconomical but socially desirable for which the Company was being compensated subsequently. Further noting that although TRAI had 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 payment for only first year had been cleared by the Government, the Committee had recommended that with a view to ensure a level playing field for BSNL and private operators. 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.

22. The Government in their Action Taken Reply have stated that the subsidy payment of Rs. 1500 crore recommended by TRAI towards settlement of subsidy claim under USO for sustenance of wireline network installed prior to 01.04.2002, for one year (period from 18.07.2011 to 17.07.2012) has been received by BSNL on 11.07.2013. In respect of subsidy for 2nd year, of Rs. 1250 Crore, Telecom Commission has decided to carry out an assessment study of the current status of this infrastructure by USOF. The task has been assigned to NICF(National Institute for Communication Finance) by USOF and information is being collected.

23. The Committee find it highly regrettable that even eight months after the presentation of their Twenty-fourth Report, the Government have not disbursed the 2nd installment of subsidy to BSNL. In their view, an assessment study would further delay the rightful claim of BSNL for losses incurred in carrying out uneconomical services as a social obligation on behalf of the Government. The Committee, therefore, urge upon the Department to complete the requisite study expeditiously so that subsidy is released to BSNL without any further delay. They also desire that a permanent mechanism should be devised, whereunder, the BSNL should be automatically compensated for carrying out uneconomical but socially desirable services.

Recommendation at Sl. No. 7

24. Taking note of Sam Pitroda Committee's recommendation to follow 'managed capacity' model for procurement and 'managed service model' for giving operation and maintenance to the vendor, the Committee had hoped that necessary steps would be taken to implement the recommendations of Sam Pitroda Committee at the earliest.

25. The Department of Telecommunications in their Action Taken Reply have informed that BSNL has attempted to prepare a RFP (Request For Proposal) for procurement of 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 Government set up as well as the governance model for the managed capacity model. In the managed capacity model, it is imperative the vendor undertakes operation and maintenance of the equipment commissioned by him. Thus, the vendor as investor expects payments of at least operational cost incurred by him from BSNL from the day the equipment is operational irrespective of the traffic carried. Thus, BSNL management is finding it difficult to accept anticipated loss to BSNL as it will start incurring expenses without income (zero traffic) in case of insufficient traffic.

26. The Committee had recommended implementation of managed capacity model at the earliest as recommended by Sam Pitroda Committee, subject to doing away with surplus manpower. The Committee desire that their recommendation should be kept in view for implementation at congenial time which should be strived to be achieved at the earliest.

Recommendation at Sl. No. 8

27. Observing the huge potential for BSNL in broadband service segment in rural areas as 1,69,201 villages out of the 5,93,601 inhabited ones only had been covered with broadband connectivity as on 30 September, 2012, the Committee had desired that BSNL should evolve suitable tariff rates and marketing strategies to exploit the full potential of broadband segment. Further opining that if BSNL utilized its rural infrastructure and capitalized on its strengths, the revenue so generated would help

its turnaround, the Committee had stressed 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.

28. The Government in their Action Taken Reply have informed that BSNL had planned optimal utilization of rural wireline infrastructure by;

- Provisioning of IP enabled NGN technology for enhanced Broadband penetration in rural areas: BSNL has planned to make the entire wireline exchanges, IP enabled in next five years starting from FY 2013-14. With the migration to/ replacement by Next Generation Network (NGN), it will be possible to provide value added services to our wireline customers.
- Tariff Plans: New attractive tariff plans are being launched time to time as per the market demands. Recently, BSNL has introduced flexi and unlimited plans to grab more customer base and enhance the revenue.
- Flexi combo plan- BSNL has launched various flexi combo plans from plan 500 to plan 1500. In these plans, there is virtually no rent and customer may avail unlimited on-net free calls within SDCA/Circle/country without paying any extra charge.
- Un-limited plan- MOU based plan wherein unlimited number of calls to BSNL landline/mobile were allowed against fixed plan charges.

29. As per the information furnished by the BSNL, as on 31 August, 2013, the Company has provided broadband facility in rural areas and has covered 1,71,033 villages through broadband services. To exploit the full potential of broadband segment in rural areas, BSNL has taken following steps:-

- (a) Launched lowest and attractive broadband plan to its rural customers with minimum plan of Rs, 99/-.
- (b) Provided Personal Computers to its rural subscriber on subsidy basis..
- (c) Providing broadband connectivity to Customer Care Centres in collaboration with DIT.
- (d) As on 31 August, 2013, BSNL has covered 87,064 Customer Care Centres (CSCs) through various technologies of broadband i.e. ADSL2+, WiMAX and 3G mobile services.

30. In addition, wireless solution like 3G/4G are expected to provide a complementary broadband solution to wireline broadband to enable 100% rural coverage. Out of 2642 SDCAs , 2614 SDCAs are covered by WLL. As on 31 August, 2013, total 8,314 numbers of Rural BTS are commissioned and 4,79,355 villages are covered by WLL. Out of 2.5 lakhs village Panchayats, 78,501 village panchayats have been given coverage by WiMAX as on 31 August, 2013.

31. The Committee take note of the various steps taken by BSNL for optimal utilization of its rural wireline infrastructure and for exploiting the broadband potential of rural telecom markets. However, the Committee note from the Reply of the Department that the pace of expansion of broadband services in rural areas has been rather slow as during the period between 30 September, 2012 and 31 August, 2013, only 1832 villages could be provided with broadband facility. The Committee recommend that BSNL should speed up the process of expansion of broadband services in rural areas, so that all the villages are covered with broadband connectivity within a definite time period. The Committee regret to note that the Reply of the Department is conspicuously silent over the action taken to rectify irregular functioning of towers and preventing thefts. The Committee reiterate that the Government should address these issues with due promptitude in order to ensure quality telecom services in rural areas.

Recommendation at Sl. No. 11

32. Noting the steps taken by BSNL for upgrading the skills of its employees through training programs and corporate restructuring initiatives, the Committee in their Twenty-fourth Report had emphasized on the need to have more such programmes at frequent intervals so as to reorient and upgrade the skills of legacy manpower in view of the demand of modern telecom market. Further, having felt that there was an urgent need to induct fresh and professional talent in the organization to meet the need of the rapidly changing telecom market in view of the Company having entered 3G market, the Committee had recommended 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. They had also desired 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.

33. In their Action Taken Reply, the Government stated that BSNL has evolved the following plans to upgrade the skills of the employees through training programme and re-deploy them suitably:-

- (a) 3 APEX level training centres viz ALTTC Ghaziabad, BRBRAITT, Jabalpur and NATFM, Hyderabad, 15 RTTCs, 11CTTCs and 6 DTTCs caters to the training need of BSNL staff (executives and non-executives) country wide.
- (b) As per the MOU target for financial year 2012-13, 10% executives will be trained through Executives Development programmes.
- (c) This training is carried out through various modes i.e. Class Room Training, Field Training programmes, Webinars / Workshops, etc.

- (d) Executives at various level, are required to undertake training courses to get themselves updated through successful completion of learning, as per provisions of executives promotion policy at the time of their respective financial up gradation.

34. From the Reply of the Department of Telecom, the Committee are constrained to observe that there is no mention about actions taken for rational deployment of manpower by BSNL in accordance with its various operational needs so as to deal with the shortage of skilled manpower. Likewise, the Reply is also silent about the action taken by the Company regarding filling up of vacant posts meant for the skilled staff. The Committee therefore, reiterate their earlier Recommendation that Government should undertake a recruitment drive for expeditiously filling up the vacant skilled posts and also induct fresh talent who can deliver/fulfill the requirements of organization in the face of challenges of rapidly changing telecom sector and the highly competitive telecom market.

Recommendation at Sl. No.13

35. Noting that based on the recommendations of BCG, BSNL had reportedly restructured itself into four business verticals viz Consumer Mobility, Consumer Fixed Access, Enterprise and New Business, the Committee while hoping 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 had desired that they be apprised of the impact of the restructuring on the overall performance of the Company.

36. The Government in their Action Taken Reply have stated that in view of the changes in the telecom operating environment, BSNL had undertaken a systematic exercise to develop an overall strategy and transformation agenda. Changes have been implemented in BSNL's organization structure with the objective of effectively implementing the overall business strategy. The exercise is aimed at providing adequate end-to-end focus on key growth segments, clearly defined accountability for different business and functions and significantly higher thrust on marketing, sales & distribution and customer activities.

37. Restructuring exercise has resulted in:

- Building of BSNL's own sales team for CFA products to actively sell broadband and wireline services to the customer.
- Increasing product reach, extraction and improving channel management for mobile products especially through franchisee channel.
- Strengthening of sales focus on enterprise customers through creating dedicated account management teams, viz National Account Managers for Platinum customers, Key Account Managers for Gold customers and Channel Partners for Silver enterprise customers.

38. The Committee note with satisfaction the various measures undertaken by the Government for restructuring of BSNL. The Committee would like to be apprised of the impact the restructuring has had in quantitative terms on the top line growth of the Company in terms of increase in subscriber base across all the business segments viz. wireline, wireless (GSM) and broadband, etc. at the earliest.

CHAPTER - II

OBSERVATIONS/ RECOMMENDATION WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation at Sl. No.1

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.

Reply of the Government

Bharat Sanchar Nigam Limited (BSNL) has taken up the following steps to increase its revenue:

- a) In the Global system for mobile communications (GSM) Segment, BSNL has issued work order for Supply, Installation, Testing & Commissioning (SITC) for 14.37 million lines for augmentation of GSM capacity in North Zone, South Zone & East Zone. The roll out of the same is under process. For West Zone the capacity required for expansion of GSM network was kept under reservation quota for M/s ITI. Since M/s ITI had expressed its inability to accept the reserved quantity order, BSNL has invited tender for SITC of 0.63 Million lines of GSM equipment and one bid have been received, which is under Technical evaluation.
- b) In the Wireline Segment following actions are taken /being taken :

- State of art calling line identification presentation (CLIP) handsets are procured & provided to BSNL customers for enhanced customer satisfaction.
 - Underground PIJF cable(Polythene Insulated Jelly Filled) had been procured to meet the requirement of the field.
 - In next five years starting from FY 2013-14, BSNL has planned to make the entire wireline exchanges IP enabled. With the migration to Next Generation Network (NGN), it will be possible to provide value added services to our wireline customers.
- c) In the Broadband Segment, BSNL continues to lead the Broadband market & its share is more than 65%. The revenue of BSNL is increasing in this segment year on year. BSNL has taken following actions in this segment :
- Value added services have been introduced like IPTV, Games on Demand, Music & video on demand, entertainment, Broadband over VPN, Video conferencing and VVoBB.
 - BSNL is also providing broadband connections in bulk to Universities and Colleges under the National Mission for Education Project of Ministry of HRD. Till date, BSNL has provided 1,83,252 VPNoBB connections to 20,159 colleges and has provided 1GB connectivity to 386 Universities under this project.
 - BSNL is also exploring the following projects:
 - (i) Wi-Fi hotspot project
 - (ii) Broadband connectivity to schools
 - (iii) BSNL High speed cyber cafe project
- d) Modernisation of WLL network. At present the latest Mobile Switching Centre (MSC) based 2000 1X / EVDO system is being used in the BSNL network. BSNL optimises its network periodically for its optimal performance. In order to reduce interruptions due to media failure, Ring connectivity of Optical Fibre Cable (OFC) media are provided to additional WLL BTS. However, BSNL has not planned any expansion of its WLL network at present.
- (e) BSNL is making all efforts to increase number of WiMAX connections. Various promotional offers are being offered to attract more & more customers to popularise the service. BSNL has not planned any expansion for its WiMAX network at present.

(OM NO. 59-137/2012-SU-IV dated 27-12-2013)

Recommendation at Sl. No.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.

Reply of the Government

A committee comprising of officers from BSNL and MTNL has been constituted which will review the existing procurement manual of both the PSUs and the limitations, if any, of the procedures/guidelines and submit its recommendations to the Department.

Procurement through E- tendering had been implemented in BSNL. In the e-procurement, the detailed NIT & tender documents are uploaded on e-portal. The vendor is required to submit his bids electronically, which are downloaded. The e-tendering system also prepares a comparative statement. It is also possible to have e-reverse auction for better price.

(OM NO. 59-137/2012-SU-IV dated 27-12-2013)

Recommendation at Sl. No.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.

Reply of the Government

BSNL has concluded the tendering process of 14.37 million lines for augmentation of GSM capacity in North Zone, South Zone & East Zone. Work order had been issued to the finalized vendor and the roll out of the same is under process.

For West Zone the capacity was reserved for M/s ITI, a CPSE. Since, M/s ITI expressed its inability to accept the reservation quota order, therefore tenders for expansion of GSM network by 0.63 Million lines have been invited.

(OM NO. 59-137/2012-SU-IV dated 27-12-2013)

Recommendation at Sl. No.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.

Reply of the Government

BSNL has been sharing spare capacities of its passive infrastructure (towers) with other operators and have registered additional revenue on this account. The Physical and Financial achievements of last 4 years in the Sharing of Infrastructure is given below.

Achievement of tower sharing by BSNL		
Year	Physical (No. of additional towers leased out during the financial year)	Total Revenue during the financial year in Crores.
2009-10	341	1.80
2010-11	491	29.38
2011-12	609	42.67
2012-13	877	73.63
2013- 14 (upto 31/7/2013)	96	30.17

Utilisation of Telecom Factory Infrastructure for Revenue Generation

It has been decided to appoint a consultant to advise and assist BSNL in selection of suitable partners / manufacturers for manufacturing telecom / Electronic equipments and other related products in telecom Factories. For this purpose an EOI has been floated and opened on 22.05.2013. As per the scope of work of EOI, the consultant is required to prepare a detailed business plan inter-alia preparation of techno-commercial viability report for different products (to be suggested by consultant) for revenue generation in telecom Factories. The technical bid is under evaluation.

Monetizing of Land Assets of BSNL:

- BSNL has taken up a pilot project for monetization of 10 vacant land parcels in different cities, viz., Mumbai, Kolkata, Noida, Gurgaon, Trivandrum & Hyderabad. A Consultant had been appointed, to assist BSNL for effective utilization of BSNL lands for revenue generation. In this regard, the consultant has submitted final reports for 3 parcels of lands and draft detailed reports for 5 parcels of lands.
- BSNL Board has approved final report of Borivali to be submitted to DOT for granting permission to monetize this land, the case is being sent to DOT. The cases pertaining to Santacruz and Deonar (Mumbai) are being submitted to Management Committee of BSNL Board for approval. The draft detailed reports of 5 parcels of lands are under scrutiny.
- The anticipated / projected revenue by developing 10 BSNL lands at these locations for which Consultant has been appointed is as follows:
 - (i) Upfront Value during 2013-14 : Rs. 250 Crore.
 - (ii) Rental income from 2016-17 onwards: Rs. 250 Crore per annum.
- The revenue realized by leasing out spare space in different buildings is estimated to be about Rs. 15 Crore per annum.

Data Centres :

- Ten Internet data centers (IDCs) in association with M/s SIS and Dimension Data on revenue sharing business have been opened and started working. This has resulted in generating a new stream of revenue for BSNL.
(OM NO. 59-137/2012-SU-IV dated 27-12-2013)

Recommendation at Sl. No.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.

Reply of the Government

BSNL had planned optimal utilization of rural wireline infrastructure by;

- Provisioning of IP enabled NGN technology for enhanced Broadband penetration in rural areas: BSNL has planned to make the entire wireline exchanges, IP enabled in next five years starting from FY 2013-14. With the migration to/ replacement by Next Generation Network (NGN), it will be possible to provide value added services to our wireline customers.
- Tariff Plans: New attractive tariff plans are being launched time to time as per the market demands. Recently, BSNL has introduced flexi and unlimited plans to grab more customer base and enhance the revenue.
- Flexi combo plan- BSNL has launched various flexi combo plans from plan 500 to plan 1500. In these plans, there is virtually no rent and customer may avail unlimited on-net free calls within SDCA/Circle/country without paying any extra charge.
- Un-limited plan- MOU based plan wherein unlimited number of calls to BSNL landline/mobile were allowed against fixed plan charges.

As on 31/8/2013, BSNL has provided broadband facility in rural areas and has covered 1,71,033 villages through broadband services. To exploit the full potential of broadband segment in rural areas, BSNL has taken following steps:-

- (a) Launched lowest and attractive broadband plan to its rural customers with minimum plan of Rs, 99/-.
- (b) Provided Personal Computers to its rural subscriber on subsidy basis..
- (c) Providing broadband connectivity to Customer Care Centres in collaboration with DIT.
- (d) As on 31.08.2013, BSNL has covered 87,064 Customer Care Centres (CSCs) through various technologies of broadband i.e. ADSL2+, WiMAX and 3G mobile services.

Wireless solution like 3G/4G are expected to provide a complementary broadband solution to wireline broadband to enable 100% rural coverage.

Out of 2642 SDCAs, 2614 SDCAs are covered by WLL. As on 31.08.2013, total 8,314 numbers of Rural BTS are commissioned and 4,79,355 villages are covered by WLL.

Out of 2.5 lakhs village Panchayats, 78,501 village panchayats have been given coverage by WiMAX as on 31.08.2013.

(OM NO. 59-137/2012-SU-IV dated 27-12-2013)

Recommendation at Sl. No. 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.

Reply of the Government

Government has constituted a Group of Ministers (GoM) on 17.4.2013 to look into the matter of revival and revitalization of Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL). A draft note for consideration of this GoM for the proposal to reduce employees expenses in BSNL and MTNL has been circulated for Inter-Ministerial consultations on 29.10.2013. This note will be submitted to the GoM after getting comments from concerned Ministries.

(OM NO. 59-137/2012-SU-IV dated 27-12-2013)

Recommendation at Sl. No.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 deputationists 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.

Reply of the Government

The process of absorption for Group 'A' officers of DOT in BSNL under Rule 37-A has been concluded on 11.03.2013. Now, the ITS officers of Group 'A' have been deployed in BSNL for a period of 10 years on diminishing basis w.e.f. 11.03.2013.

BSNL has started the process of building up of its own cadre strength in Senior / Middle level Executives by initiating the following steps:

- a. In the first phase, Recruitment of 150 Deputy General Managers from the open market has been initiated against which 44 Executives have already been recruited and the process for balance 106 Executives is underway.
- b. Notification for appointment of the grade of CGM / GM and DGM level posts in BSNL on immediate absorption basis under Rule- 37 of CCS (Pension) Rules, 1972 has also been issued.
- c. Recruitment Rules for induction for Management Trainees in BSNL have been notified.

(OM NO. 59-137/2012-SU-IV dated 27-12-2013)

Recommendation at Sl. No.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.

Reply of the Government

The Sam Pitroda Committee report was submitted to the Government. Internal Committee under the chairmanship of Member(s), Telecom Commission was set up in DoT. The decision of the Telecom Commission on the Pitroda Committee recommendations was conveyed to BSNL in January, 2011. Progressive implementation of the recommendations concerning operational and commercial issues is already underway in BSNL.

Action taken by BSNL/status on the recommendations of the Sam Pitroda Committee report/recommendations of FTC:

Recommendations	Status
Focus on selection of the best professionals from the market at market rates	TC decided that taking 30-50 professional from market at market rates, changing Board constitution or separating Chairman and MD posts may not be feasible in only one PSU as it may trigger protest from BSNL and demand for similar treatment by other PSUs.
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).	
Appoint an eminent person from the private sector as the chairman.	CMD was selected by Search cum Selection Committee which was open to private sector also.
Provide three year contracts with specific targets for all key management team	Output of key officials is already being reviewed periodically.

Establish four independent business units for Fixed access, Mobility, enterprise and New businesses.	Implemented by BSNL
Complete ITS absorption process immediately.	Cabinet decision dated 13.02.2013 has been implemented.
Induct significant young talent in technology, IT, marketing, sales, etc.	Being Done by BSNL from time to time.
Retire or transfer around 100K employees through processes like VRS.	VRS proposal received from BSNL is being examined in DoT.
Change procurement processes and procedures substantially using tools such as e-Procurement, vendor rating, rate running contracts, schedules, etc.	Implemented by BSNL
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.	TC 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.
Provide 30 million new high speed broadband connections in the next three years	As on 30.09.2013, 9.98 million broadband connections are working in BSNL
Unbundle local loop for public and private companies	To be decided by BSNL Board as per its commercial decision
Proactively offer sharing of active and passive infrastructure to other operators	Implemented by BSNL
Enhance rural communication facilities by connecting 250,000 panchayats	A separate company named BBNL has been constituted for this purpose of implementing project a for linking 250,000 Gram Panchayats with incremental fibre under National Optical Fibre Network (NOFN).
Create a separate subsidiary company for tower related infrastructure	The proposal is under consideration.
Create a separate subsidiary to hold land bank and other real estate assets	The proposal is under consideration.
Establish a BSNL venture fund to invest and/ or acquire small appropriate technology companies.	This issue is of operational and commercial in nature for which BSNL Board is competent to take decisions.

Further, Government has constituted a Group of Ministers (GoM) on 17.4.2013 to look into the matter of revival and revitalization of Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL). A draft note on the proposal to reduce employee's expenses in BSNL and MTNL has been circulated for Inter-Ministerial consultations on 29.10.2013. This note will be submitted to the GoM after getting comments from concerned Ministries.

(OM NO. 59-137/2012-SU-IV dated 27-12-2013)

Recommendation at SI. No.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.

Reply of the Government

In view of the changes in the telecom operating environment, BSNL had undertaken a systematic exercise to develop an overall strategy and transformation agenda. Changes have been implemented in BSNL's organization structure with the objective of effectively implementing the overall business strategy. The exercise is aimed at providing adequate end-to-end focus on key growth segments, clearly defined accountability for different business and functions and significantly higher thrust on marketing, sales & distribution and customer activities.

Restructuring exercise has resulted in:

- Building of BSNL's own sales team for CFA products to actively sell broadband and wireline services to the customer.
- Increasing product reach, extraction and improving channel management for mobile products especially through franchisee channel.
- Strengthening of sales focus on enterprise customers through creating dedicated account management teams, viz National Account Managers for Platinum customers, Key Account Managers for Gold customers and Channel Partners for Silver enterprise customers.

(OM NO. 59-137/2012-SU-IV dated 12-2013)

Recommendation at SI. No.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.

Reply of the Government

Conscious of the national and strategic interests served by operations of BSNL, Government has constituted a Group of Ministers (GoM) on 17.4.2013 to deliberate on short-term, medium term and long-term measures for revival and revitalisation of Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL). GoM has met on three occasions i. e. 12.06.2013, 01.08.2013 and 12.09.2013. Its recommendations would be placed before the Union Cabinet, once the recommendations are finalised.

(OM NO. 59-137/2012-SU-IV dated 27-12-2013)

Recommendation at Sl. No.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.

Government has constituted a Group of Ministers (GoM) on 17.4.2013 to look into the matter of revival and revitalisation of Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL).

Group of Ministers (GoM) has decided to recommend to the Union Cabinet full refund of one-time upfront charges paid on surrender of BWA spectrum in respect of 6 service areas proposed by BSNL and both service areas of MTNL. The recommendations of GoM are expected to be placed before the Union Cabinet shortly.

(OM NO. 59-137/2012-SU-IV dated 27-12-2013)

CHAPTER - III

**OBSERVATIONS/ RECOMMENDATION WHICH THE COMMITTEE DO NOT
DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES**

-NIL-

CHAPTER – IV

OBSERVATIONS/ RECOMMENDATION IN RESPECT OF WHICH REPIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation at Sl. No.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.

Reply of the Government

The subsidy payment of Rs. 1500 Crore recommended by TRAI towards settlement of subsidy claim under USO for sustenance of wireline network installed prior to 01.04.2002, for one year (period from 18.07.2011 to 17.07.2012) has been received by BSNL on 11.07.2013. In respect of subsidy for 2nd year, of Rs. 1250 Crore, Telecom commission has decided to carry out an assessment study of the current status of these infrastructure by USOF. The task has been assigned to NICF (National Institute for Communication Finance) by USOF and information is being collected.

(OM NO. 59-137/2012-SU-IV dated 27-12-2013)

Recommendation at Sl. No.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 centres. The Committee hope that necessary steps will be taken to implement the aforesaid recommendations of Pitroda Committee at the earliest.

Reply of the Government

BSNL has attempted to prepare a RFP (Request For Proposal) for procurement of 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 Government set up as well as the governance model for the managed capacity model. In the managed capacity model, it is imperative the vendor undertakes operation and maintenance of the equipment commissioned by him. Thus, the vendor as investor expects payments of at least operational cost incurred by him from BSNL from the day the equipment is operational irrespective of the traffic carried. Thus, BSNL management is finding it difficult to accept anticipated loss to BSNL as it will start incurring expenses without income (zero traffic) in case of insufficient traffic.

(OM NO. 59-137/2012-SU-IV dated 12-2013)

Recommendation at Sl. No.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.

Reply of the Government

BSNL has evolved the following plans to upgrade the skills of the employees through training programme and re-deploy them suitably :-

- a. 3 APEX level training centres viz ALTTC Ghaziabad, BRBRAITT, Jabalpur and NATFM, Hyderabad, 15 RTTCs, 11CTTCs and 6 DTTCs caters to the training need of BSNL staff (executives and non-executives) country wide.
- b. As per the MOU target for financial year 2012-13, 10% executives will be trained through Executives Development programmes.

- c. This training is carried out through various modes i.e. Class Room Training, Field Training programmes, Webinars / Workshops, etc.
- d. Executives at various level, are required to undertake training courses to get themselves updated through successful completion of learning, as per provisions of executives promotion policy at the time of their respective financial up gradation.

(OM NO. 59-137/2012-SU-IV dated 27-12-2013)

CHAPTER – V

OBSERVATIONS / RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendation at Sl. No.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.

Reply of the Government

The constraints faced by BSNL in providing quality of service in wire line services are given below:

- (a) Large scale damages to underground cables by NHAI, PWD and local authorities due to massive road expansion and repair works and obstacles in digging of roads for repairs and relaying of underground cables.
- (b) Poor availability of commercial electric power supply in rural telecom installations particularly in the states of Bihar, Uttar Pradesh, Odisha, Maharashtra etc.

To improve the Quality of Service in Wireline Network, following steps are being taken / planned:

- (i) Rehabilitation and up gradation of external plant.
- (ii) Close monitoring of Quality of service parameters to adhere to the benchmarks stipulated by TRAI
- (iii) Introduction of effective network management system.
- (iv) Coordination with local bodies to minimise cable damages due to road works.
- (v) Replacement of faulty telephones whenever required.
- (vi) AMC of the telecom equipment and instruments has been done.
- (vii) Continuous improvement in customer care is being done through Project Smile. Around 4000 new Customer Service Centres (CSCs) are being

upgraded with single window clearance concept and Information Technology enabled change business processes.

(viii) Battery sets at number of places have been planned for replacement.

BSNL has taken the following steps for improving the wireline services and for optimizing the utilization of its wireline capacity.

- a) BSNL has planned to make the entire wireline exchanges, IP enabled in next five years starting from FY 2013-14. With the migration to/ replacement by Next Generation Network (NGN), it will be possible to provide value added services to our wireline customers.
- b) The migration process is planned to be implemented through following projects:-
 - I) Replacement of Digital Telephone Exchanges by NGN (Next Generation Network) equipment: it is planned to deploy NGN gradually and replace the entire Digital Telephone Exchanges (OCB, EWSD, AXE and 5ESS TDM types). The tender for 4 Million Ports has been finalized, and order placed for first phase.
 - II) Migration of C-DOT TDM Switches to NGN C-5 (C-DoT MAX NG): BSNL has signed a MOU with C-DoT on 19th Dec, 2012 as part of encouraging indigenous development of technology. BSNL has planned migrating C-DOT TDM technology exchanges with NGN solution. In the next one year 100, existing C-DOT exchanges shall be upgraded to NGN i.e. 50 C-DoT MAX sites in North and East Zones each. The migration shall result in reduction of operational cost along with ease of induction of new value added services to the landline customers.
- c) Re-deployment of RSUs/RLUs: BSNL has issued instructions to optimize the capacity utilization by making rearrangement of deployed exchanges and re-deploy the spare RLUs/ RSUs to new developed / developing area.
- d) Providing Value Added services- With the migration to NGN network, BSNL will be able to offer following value added services to its wireline customers.
 - o Games on Demand (GoD), Music on demand (MoD) and Video surveillance to BB customers.
 - o Voice & Video over Broadband (VVoBB) services for BB customers.
 - o Personalized Ring Back Tone (PRBT) as well as Multimedia Ring Back Tone (MRBT), an advanced version of Colour Ring Back Tone (CRBT) to PSTN subscribers.
 - o Wide Area IP Centrex- IP Centrex allows small and medium size enterprises to deploy PABX/ CUG service without really installing system physically in their premises.
 - o Multimedia video conferencing service will be available across the country.
 - o The Prepaid solution will be provided with all functionalities to provide voice, video and data pre-paid services including roaming.

- Fixed Mobile convergence (FMC) services by using the NGN-IMS core along with the PSTN Access network and already deployed Mobile network.
- e) BSNL is in process to start Hot spot broadband services for broadband customers.

(OM NO. 59-137/2012-SU-IV dated 27-12-2013)

**New Delhi:
17 February 2014
28 Magha 1935(S)**

**JAGDAMBIKA PAL
Chairman
Committee on Public Undertakings**

COMMITTEE ON PUBLIC UNDERTAKINGS
(2013-2014)

MINUTES OF THE TWENTY-THIRD SITTING OF THE COMMITTEE

The Committee sat on Monday, the 17th February 2014 from 1500 hrs to 1530 hrs in Room No. 147 (Chairman's Chamber), Parliament House (Third Floor), New Delhi.

PRESENT

Shri Jagdambika Pal - Chairman

MEMBERS

Lok Sabha

2. Shri Hansraj Gangaram Ahir
3. Smt. Shruti Choudhary
4. Shri Nama Nageswara Rao
5. Prof. Saugata Roy
6. Smt. Sushila Saroj
7. Shri Uday Singh

Rajya Sabha

8. Shri Anil Desai
9. Shri Naresh Gujral

SECRETARIAT

1. Sh. P. C. Koul, Director
2. Sh. M. K. Madhusudhan, Additional Director
3. Sh. G. C. Prasad, Dy. Secretary

OFFICE OF C&AG

1. Sh. P Sesh Kumar, Director General (Commercial)-II
2. Sh. B. C. Mandal, Dy. Director

2. At the outset, the Chairman welcomed the Members and the Officers of C&AG to the Sitting of the Committee.

3. The Committee then took up for consideration the draft Reports on the following subjects and adopted the same without any modifications:

(i). Report on action taken by the Government on the Observations / Recommendations contained in the Twenty-fourth Report on Bharat Sanchar Nigam Limited; and,

(ii). XXXX XXXX XXXX XXXX.

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

The Committee then adjourned.

XXXX Matter not related to this Report.

ANNEXURE

(Vide Para 3 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE OBSERVATIONS / RECOMMENDATIONS CONTAINED IN THE TWENTY-FOURTH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS ON BHARAT SANCHAR NIGAM LIMITED.

I.	Total number of Recommendations	15
II.	Recommendations that have been accepted by the Government [<i>vide</i> Recommendations in Chapter II at Sl. Nos. 1,3,4,6,8,9,10,12,13,14 and 15]	11
	Percentage of total	73.33%
III.	Recommendations which the Committee do not desire to pursue in view of Government's replies	0.0
	Percentage of total	0.0%
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee [<i>vide</i> Recommendations in Chapter IV at Sl. Nos. 5,7 and 11]	03
	Percentage of total.	20.00%
V.	Recommendations in respect of which final reply of Government is still awaited [<i>vide</i> Recommendations in Chapter V at Sl. No.2]	01
	Percentage of total	6.67%