



**COPU MATTER**  
**MOST IMMEDIATE**

**Sub:—**Comprehensive examination of Bharat Sanchar Nigam Limited (BSNL) by Committee on Public Undertakings (COPU) – Reply to the list of points received from COPU.

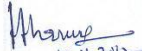
This is with reference to the meeting held on 16.11.2012 by Committee on Public Undertakings relating to Comprehensive examination of BSNL. During the course of the meeting, Hon'ble Members had sought replies to the questions which have been endorsed to BSNL vide DOT O.M No. 58-137/2012-SU-IV dated 16<sup>th</sup> November, 2012 (copy enclosed).

2. The matter was discussed by CMD on 16.11.2012(A/N) and 19.11.2012(F/N), and CMD has desired that point wise replies to all para be prepared urgently by 22.11.2012. **He has further instructed that the complete reply is to be discussed under his Chairmanship on 23.11.2012 at 16.00 hours, along with BU- Heads.**

3. The list of points received from DOT / COPU along with units responsible for furnishing the reply has been indicated against each point by CP&M cell. Though the related points have been marked for convenience, still the complete document / questionnaire may be read and reply to any other point pertaining to concerned unit may also be sent to avoid delay in this matter.

4. Since, the matter is time bound , it is requested that point wise reply pertaining to respective unit, may be sent to CP&M cell positively by 22.11.2012 (F/N).The soft copy of the same may please be mailed at [lt@bsnl.co.in](mailto:lt@bsnl.co.in) with copy to [sanjeevverma72@gmail.com](mailto:sanjeevverma72@gmail.com). It is indicated that the reply must be specific to the query / point raised.

Encl: As above

  
(V.K.Sharma)  
GM (CP&M)

1. Dir – (CM) / (CFA) / (Ent) / (HR) / (F)
2. PGM – (NWP-GSM-I) / (IS) / (BW) / (ILD) / (SR)
3. Sr. GM – (NWP-CFA) / (BB) / (CNP) / (MM)/Pers.
4. GM – (NWP-CDMA/Wimax) / (Corp. Restg) / (TF)/CA/NOFN/CP&M
5. CS & Sr. GM (Legal)

U.O. NO. 1-128/2012 -CP&M

Dated: 19.11.2012

Copy to:

- 1) ES to CMD, BSNL for kind information, please.



F.No.58-137/2012-SU-IV  
Government of India  
Ministry of Communication & IT  
Department of Telecommunications

1806-100  
16/11/12

Sanchar Bhawan,  
Ashok Road,  
New Delhi-110001

Dated: November 16, 2012

To

GM (CPM),  
BSNL,  
New Delhi

Subject: Comprehensive Examination of Bharat Sanchar Nigam Limited (BSNL) by Committee on Public Undertakings.

Sir,

Please refer to discussions/evidence held on 16.11.2012 during the comprehensive examination of Bharat Sanchar Nigam Limited (BSNL) by the Committee on Public Undertakings. The Hon'ble Committee desired that DoT/BSNL should reply to queries/points of the members which emerged during the discussions/evidence.

1. A list of such points/queries on which the committee require replies, is sent herewith. It requested that point-wise replies may be made available to this Department on 'Top Priority' basis.
2. A list of such points/queries on which the committee require replies, is sent herewith. It requested that point-wise replies may be made available to this Department on 'Top Priority' basis.
3. Kindly acknowledge receipt.

Encl: As above

Yours faithfully,

(Anil Wahi)

Section Officer (SU-IV)  
Tel. No. 23036758

RECORDED (M.O. 1011/12)  
G.M. (CPM)  
U. No./Dy. No. 570  
Date: 19-11-2012  
B.S.N.L. Co., New Delhi

DGM (CPM) dm  
19/11/12

AGM (CPM-III)

DM (CPM-III)

Copy to:  
CMD, BSNL, New Delhi.

on leave (S. A. C. A. 2)

Pl. obtain  
inputs &  
p.v. draft  
reply in a week's  
time.

cc: Air (CM), (CFA), ENL  
(F)  
CM (CPM)

16/11/12



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Committee on Public Undertakings

List of Points for discussion with the representatives of the Department of Tele-Communications and BSNL in connection with examination of BSNL.

I Dismal 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)

2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
10,183	8940	7806	3009	575	-1823	-6384	-8850

4 The reasons for increasing losses are stated to be uneconomical landline business inherited by the company, huge manpower, increase in manpower cost due to wage revision, procedural requirements and time lags giving edge to private operators, under-utilisation of equipped capacity and gradual removal of concessions to compensate unviable wireline network.

1. In spite of all the above mentioned factors, BSNL was making huge profits till the year 2004-05. Can it not be said that the poor performance of the company since 2005-06 is, at least, partly attributable to managerial deficiencies?
2. Given the above constraints, are there no areas where improvement can be effected? If so, please spell out.
3. Is it not correct to state that BSNL has failed to take effective corrective measures to reverse its sliding performance?

DIR (CW) / DIR (CFA) / DIR (EN) / DIR (F) / DIR (HR)

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**DIR(CM) / DIR(CFA) / DIR(EN) / DIR(HR) / DIR(F)**

4. Please specify the problems which were beyond the control of BSNL management. Were these taken up with the Government and if so, when and with what result?
5. Please quantify each of the constraints faced by BSNL in monetary terms.
6. Is there any system in BSNL for performance measurement - business unit wise / circle wise / state wise? If so, please give details in this regard in terms of physical and financial performance during each of the last five years?
7. What action has been taken to improve the less performing business units / circles / states and with what result?

**II Under-utilisation of capacity**

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 was stated to be as given below:

Sl. No.	Name of Service	Unit	Equipped Capacity	No. of Customers	Percentage of under-tilization
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

1. Please spell out why BSNL could not succeed in ensuring full utilization of existing capacity other than that of mobile services?
2. How soon would BSNL reach full utilisation of capacity?
3. What is the latest position in regard to utilization of equipped capacity?

**DIR(CFA) / DIR(CM)**  
**SGM(NWP-CFA) / SGM(NWP-BP) / GM(NWP-CDMA) Hr No.**



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 DIR(CM) / DIR (EN)  
 PGM (JS) / PGM (BH) / PGM (ILD)

4. What is the potential for sharing of infrastructure and how much has been achieved in this regard in physical and financial terms?

### III Shortfall in achievements

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 and reproduced below :-

Sl. No.	Item	Unit	MOU Target	Net Achievement	Shortfall in Achievement
1.	Mobile	Lakh Conn	200	82.40	58.80%
2(a)	Broadband Wireline	Nos	35	14.23	59.35%
2(b)	EVDO Connection	Nos	100,000	-7841	-7.84
2(c)	Wimax 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%

DIR(CM) / CPA (EN)  
 S. EN (MMR-20)  
 CAP / MGR / CTR

1. How do you explain the steep shortfall in achievement in the mobile and Broadband connections and TAX and OF Cable?

2. What are the targets in this regard for the year 2012-13 and the prospects of achieving the targets?

### IV Declining Market Share

The percentage market share of BSNL in various telecommunications services has been gradually declining over the years as may be seen from the following information furnished by BSNL :-

	As on 31.03.05	As on 31.03.06	As on 31.03.07	As on 31.03.08	As on 31.03.09
Wireline	86.72	85.22	82.75	80.05	77.42
WLL	10.17	8.66	7.97	6.69	5.28
Mobile	23.01	24.80	22.59	18.82	16.20
Broadband	-	-	-	52.11	57.19

DIR(CFA)

DIR(CCM)

S.G.M (MM)

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1. How do you justify the declining market share over the years?

What specific strategy has been evolved / proposed to be evolved to reverse the trend?

3. What was the market share in respect of each of the above services as on 31.03.10, 31.03.11, 31.03.12 and 31.10.12?

#### Delay in Decision Making

In mobile business which faces severest competition, even a slight edge of competitors has reportedly 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.

1. Please indicate the time taken in each case of procurement costing Rs.10 crore and above right from initiation of proposal till actual delivery.
2. How does the time taken for procurement by BSNL compare with that of private sector?
3. What was the time taken by the Government in each of the cases for giving clearance?
4. Has the DOT fixed any time frame for giving clearance or otherwise to the BSNL procurement proposals?

DIR(CM) / DIR(CFA) / DIR (CA)

S.G.M (MM)

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DIR(CM) / DIR(CFA) / DIR(CM)  
Sr GM (M)

DIR(HF)  
Sr GM (Personnel)

- 5. In how many instances, the procurement of BSNL ended up in having outdated technology at the time of delivery of equipment? Please give details.
- 6. Has the recommendation of Sam Pitroda Committee for changing procurement processes and procedures implemented in all respects? Please give details and the extent of implementation.
- 7. Are there instances of BSNL managerial personnel - involved in decision making - having joined the competitors in private sector after their retirement / VRS/ resignation? If so, please give details. Has any investigation been conducted to see how the decisions taken by those personnel have indirectly helped private operators?

**VI Excess Manpower Cost**

The manpower strength in BSNL has reportedly come down from 3.97 lakhs in the year 2000 to 2.68 lakhs as on 31.3.2012.

DIR(CM) / DIR(CFA) / DIR(CM)  
GM (Gen. Mgmt)  
GM (CA) 2

- 1. What is the optimum manpower requirements in the given technological scenario and actuals there against, year wise during each of the last five years?
- 2. What is the extent of expenditure incurred on account of excess manpower during each of the last five years?
- 3. How does the manpower cost of BSNL compare with that of private sector?
- 4. Sam Pitroda Committee which submitted its report in February 2010 has, *inter alia*, suggested retirement / transfer of one lakh employees through process like VRS. Has any decision been taken in this regard? If so, please give details. If not, please indicate, at what stage the matter is pending?

GM (CA) 2  
GM (CA) 2

**VII Disinvestment**

Listing of BSNL would reportedly 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 is observed that the Board of Directors of BSNL took a decision on 25.07.2008 to list of BSNL in stock exchanges. 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.

1. Can it be said that BSNL has vested interest, in not improving its performance, as improved performance may lead to disinvestment of shares which is opposed by its employees?

DIR(CHE)  
GEN(FR)

2. What efforts were made by the BSNL to impress upon and carry conviction with the trade unions / associations about the advantages of listing?

S.G.M.C.S  
(14/11)

3. Is it not a fact that fundamentals of BSNL are very strong? If so, is it not desirable to go for listing even at this stage?

VIII . Performance Review by the DOT

1. Is it not the responsibility of DOT to identify the problems beyond the control of the BSNL management and provide possible solutions? Please indicate how many such problems were reported by BSNL and how expeditiously action was taken thereon?

2. 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?

3. What specific directions / instructions were given by DOT to ensure BSNL's targeted physical and financial performance?

4. Since there is hardly any improvement in the performance of BSNL over the last five years, can it be said that 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.

DIR(CM) / DIR(CFA) / DIR(FIN) / DIR(HR) / DIR(F)  
GM(CFM)



**IX Performance of Tele-com factories**

The production output of in-house manufacturing units of BSNL engaged in production of various telecom products is stated to be Rs.172 crores during 2011-12. These telecom factories are located at Kolkata, Gopalpur, Kharagpur, Jabalpur, Richhal, Bilai and Mumbai.

PIR(EN)  
GM(TF)

1. Please indicate the target of production of in-house manufacturing units during 2011-12 and explain the reasons for shortfall, if any, unit wise in physical and financial terms.
2. Target of Rs.441 crores has reportedly been set for the year 2012-13. What is the maximum production capacity of each of these units? Please explain the reasons for under-utilisation of capacity, if any.

Cancellation of Tenders

It is learnt that tenders for procurement of 93 million lines for GSM equipment floated by four zones of BSNL on 01.05.2008 were cancelled in early 2010 i.e. after one and half years. Again, a tender to procure 5.5 million lines for GSM equipment floated on 23.06.2010 was cancelled subsequently.

What were 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?

DIR(CM)  
PGM(NWP-GM-1)



9

(K) OTHER QUERIES

Regarding Question No. 3: The total Amount is being spent by the Company towards staff cost is for the years 2009-10 is Rs. 13,455 crores, 2012-11 is Rs. 13791 crores, 2011-12 Rs. 13,406 crores, it is also most same figure is running for the focused three years. It means during these three years there are no retirements. I just want to know the number of employees retired during these three years?

Sr. GM (Pers.)

Page No. 6, Reimbursement of License Fee: No reimbursement for License Fee and Spectrum is being done since 2006-07. Reasons for not reimbursing it? The re-imbusement got for the first three years is how much?

DIR (CF)

GM (CA)

Page No. 7, Financial support for BSNL:- DoT/TRAI has recommended for Rs. 1500 crore for the first year and Rs. 1250 crore for the second year, in continuation of the scheme Universal Service obligation Fund. Whether this amount has been allocated to provide infrastructure for far flung areas for better connectivity with main land. My constituency, Vizianagaram district in Andhra Pradesh is widely covered by tribal area. There is no good communication system. My constituency needs lot of infrastructure to improve signaling system. I just want to know, what steps them BSNL has taken to improve the signaling system and to replace rural WILL phones.

GM (NWP-CDMA/Wi-MAN)

Question No. 8: The BSNL was in profit mode during 2007 to 2009 and afterwards continuously incurring losses and the pattern of loss is increasing abnormally. The reasons for loss making?

DIR (CM) / DIR (CA) / DIR (EN) / DIR (F)

Question No. 11: In all the 5,93,601 villages in the country as per census 2001, Broadband coverage is merely 28.50%. Now, world has become a global village. If you do not provide, much broadband coverage, we cannot see the development. Agriculture is backbone for our country is a old saying, Now, Internet is backbone for all-round development. I just want to know the steps taken by BSNL to cover more villages for broadband.

DIR (CM) / DIR (CA) / DIR (EN) / Sr. GM (NWP-BB) / GM (NWP-Wi-Man) / GM (NWF)

Question No. 11: How many village panchayats in my constituency, i.e. Vizianagaram in Andhra Pradesh, have been covered with broadband connectivity?

Sr. GM (NWP-BB) / Sr. GM (NWP-CDMA/Wi-Man)

Dr. B. J...  
DV No 151 L/S