

**JOINT ACTION COMMITTEE OF ASSOCIATIONS / UNIONS
OF BSNL EXECUTIVES & NON-EXECUTIVES**

D-7, Telegraph Place, Gole Market, New Delhi – 110 001.

JAC / BSNL/2010

06.10.2010

To

**Shri S.C. Misra,
Member (Services),
Telecom Commission,
Sanchar Bhawan,
New Delhi – 110 001**

Sub: - **Sam Pitroda Committee Recommendations – views of Joint Action Committee of BSNL Associations / Unions**

Ref: - **JAC letter no.JAC/BSNL/2010 dated 09.09.2010**

Sir,

In continuation of our letter cited above, as also discussion with Member (Services) on 9th September, 2010, I wish to submit the following with regard to the Recommendations of Sam Pitroda Committee.

General Observations

The Sam Pitroda Committee was appointed after a meeting chaired by the Prime Minister of India in January 2010 to examine and recommend measures to enable BSNL to become financially viable as also to improve its services etc. etc.

The Sam Pitroda Committee itself, in its report has mentioned about the importance of BSNL and the unique coverage, assets and capabilities of BSNL. I only want to re-emphasise the same once again.

At the time of formation of BSNL in October 2000, the government had given many assurances to make it financially viable to enable it to fulfil the government's social commitment of universal service obligation and a better service to the common people.

Prime Minister Pandit Jawaharlal Nehru called the Public Sector Units as the 'Temples of Modern India'. Formation of PSUs at the initial stage was intended to strengthen infrastructure, especially in the core industries, in unison with the motto of a 'Socialist pattern of Society'. Hence the PSUs were given a high position in the growth of economy of the country. Later private companies in financial sector, vis Banks and Insurance, as also Petroleum were nationalized converting them to PSUs, for better governance and transparency. Naturally, most of the PSUs grew and were performing satisfactorily, except in very few cases, which even before nationalization were loss making.

Unfortunately, BSNL was formed with none of the above positive aims and intentions, but with the target of disinvesting and privatizing it later in consonance with the neo-liberal policy of the government of India. Hence all the unions of employees went on action programme to stop corporatisation of DOT/DTS/DTO.

It is in such a situation, to convince the common people as also 3 ½ lakhs of employees, that the government assured of its financial viability through payment of ADC, Reimbursement of Licence Fee, liberal support from USO Fund etc. It was made to understand that BSNL, the PSU, will be given special attention to grow and expand.

The revenue, profit and loss of BSNL for the last 9 years is given below for ready reference.

(Figures in Crore Rupees)

Financial Year	Income from Services	Total Income	Employees' Remuneration & Benefits	Administrative & Operating Expenses	Profit Before Taxation	Net Profit	Dividend paid to Central Government	Transfer to General Reserve & Balance Sheet	Total Amount Paid to Central Government
10/2000-03/2001	11596.66	11699.48	2070.07	2893.73	1030.05	747.05	0.00	747.05	1856.25
2001-02	24299.89	26981.69	3848.45	3995.79	6852.18	6312.17	0.00	6312.17	3943.13
2002-03	25293.15	25892.60	6266.03	5465.50	2657.91	1444.45	250.00	1194.45	4895.04
2003-04	31399.34	33918.59	6376.63	7111.83	8996.16	5976.52	281.25	5658.52	7050.72
2004-05	33450.04	36090.05	8393.02	8051.96	7920.08	10183.29	1175.00	8845.41	2377.03
2005-06	36138.94	40176.58	7420.63	10496.89	8446.98	8939.69	1175.00	7599.90	4370.13
2006-07	34616.21	39715.11	7308.97	10916.28	8153.81	7805.87	1175.00	6446.03	5019.47
2007-08	32842.30	38046.83	8808.91	11110.18	4451.55	3009.39	1500.00	1254.46	6349.22
2008-09	30268.57	35811.92	11363.23	11377.97	1271.63	574.85	0.00	574.85	3343.13
TOTAL	259905.10	288332.85	61855.94	71420.13	49780.35	44993.28	5556.25	38632.84	39204.12

Source: BSNL Balance Sheets

A perusal of the same will show that till 2006 BSNL was improving its financial position and with a cash reserve of ₹35,000 to 40,000 crore was in good position. The Revenue and profit from ₹26981.69 and ₹6312.17 crore in 2001-2002 increased to ₹40176.58 and ₹8939.69 cr. in 2005-2006. It can be seen that steady increase was there till 2005-2006. Revenue and profits started reducing from 2006-2007 (Revenue: 39715.11 crore and profit ₹7805.87 cr) to 2008-2009 (Revenue 35811.92 cr. and profit ₹574.85 cr.)

During the same period (2007-2009), the market share of BSNL was reduced from 31.29% to 16.66%. The decline in the revenue, profit and market share has been mainly due to the capacity crunch of mobile lines since the 45.5 million tender was delayed and reduced by political interference. Even the 13.5 million lines could be obtained only due to the historic one day strike on 11.07.2007 organised under Joint Forum of BSNL Associations / Unions. If the 45.5

million tender was finalized and lines purchased, as also 95 million tender floated in 2007 got finalized and purchased, the present financial crisis for BSNL would never have happened. It was the political interference and also blind obedience by management which blocked the progress of BSNL.

I would also like to point out that BSNL has become a fertile land for corruption, loot and wasteful expenditure. It is reported that BSNL is topping in maximum vigilance cases, more than Customs, Income tax etc. which topped in the list earlier. Many top officers are involved in vigilance cases.

It is said that India lost its freedom, not because of foreign attacks, which of course was there, but mostly due to internal espionage and support for the invaders. It is not a different story with BSNL. Many officers in influential seats are advertently or inadvertently and overtly or covertly helping the private telcos against the best interests of BSNL. The fact that hundreds of BSNL top brass have joined private telcos immediately after retirement from BSNL tells a very sad story on integrity and commitment.

There are many areas, like Temporary Advance, Construction & repairs, Telecom Advisory Committee, foreign tours, tendering of vehicles etc. where wasteful expenditure can be avoided or at least drastically reduced.

There is no doubt that BSNL can be made financially viable as also better service provided to the people, if necessary remedial measures are taken jointly by government, Management and the workforce. With this in mind, I would like to express our view points on the recommendations item by item.

Our views on the Recommendations are given below:

Recommendation No.1.0

The enhancement of the quality of senior executives, the management team and the decision making process should be not only for responding to the competitive business environment and the changing market realities, but also it must respond to the social responsibilities required to be carried out by BSNL as a Central Public Sector Enterprise. The Government should support BSNL financially to meet its social responsibilities. In this connection, it is pointed out that the government has failed to honour its commitment in the National Telecom Policy (NTP) 1999 as also given at the time of corporatisation in October 2000, like Reimbursement of License Fee paid by BSNL, Exemption from taxes etc. The Government in violation of its own assurance, discontinued / reduced the payment of ADC as also reduced the USO Fund being granted to BSNL.

The Government, to improve the financial viability of BSNL should, therefore, restore ADC and grant liberally from the USO Fund. BSNL should be exempted from payment to USO Fund. USO Fund should be granted to all landlines provided without any restriction. It should be extended in providing all Broadband connections also without discrimination. It should also refund the payment made by BSNL to government towards Licence Fee, taxes, dividend etc. which comes to about ₹39,204 crores till 2008-2009. The government should also refund the ₹18,500 crores to BSNL which it was compelled to pay towards Spectrum Charges.

The private companies are able to get concessions through pressure or by litigation, which routes are difficult for BSNL to adopt. The Government, should therefore, honour its commitments, as also refund the entire amount paid by BSNL to government.

Recommendation 1.1

We support the proposal of selecting the best professionals including from internal candidates. But a Public Sector Enterprise like BSNL should not be allowed to run just like a Private Operator. The concept of market rate salaries for higher level management is suitable only for private sector. The Rao Committee (Second Pay Revision Committee for executives in CPSEs) already studied this aspect and recommended higher salaries for top level managers of CPSEs keeping in view the market realities. At the same time, if the existing relativities between salaries of top level executives and other executives and non-executives in BSNL are highly disturbed, it will lead to deep dissatisfaction amongst the staff.

Recommendation 1.2

We agree the proposal of separating the post of the Chairman from the post of Managing Director. The Chairman should be an eminent professional with vision and commitment to Public Sector philosophy and having the capacity and stature to interface with the external environment.

The Managing Director should be an absorbed ITS Officer or a professional with business acumen and commitment to Public Sector.

Recommendation 1.3

In order to have the expertise of the workers, who are also important stake holders, there should be adequate representation of workers i.e. at least two, in the Board of Directors. At present, the workers are asked to implement the decisions of the management in which there is no representation of the workers. Workers nominees in the decision making body will motivate the workers.

Recommendation 1.4 and 1.5

We are generally agreeable to the suggestions. In this connection we suggest that not only at the level of Directors, but at the level of CGMs also, posting is to be made from BSNL absorbed officers only, which will ensure more commitment.

Recommendation 1.6

The proposed Advisory Board to the business units should be from BSNL only. The Telecom Advisory Committees (TACs) at all levels should be dismantled, since it is a huge wastage of funds and has no real benefits. Private telecoms are not required to have such TACs.

Recommendation 1.7

We require more information and details with regard to the proposed three year contracts for all key management team members. However, we are completely opposed to stock options / disinvestment.

Recommendation 2.0

Based on BCG Recommendations, the management has already started implementing similar decisions about one year back. But the outcome is not known to us.

Recommendation 3.0

We completely agree with the need of improving the organization performance and employee productivity. The report submitted by CAG mention that productivity of BSNL employees have

increased substantially. Further improvement is necessary. Daily joint monitoring and fresh recruitment is necessary.

Recommendation 3.1

We agree with the recommendation and strongly demand settlement of ITS absorption. The commitment given by the Communication Minister to settle the issue should be honoured and implemented.

Recommendation 3.2

We fully support inducting significant youth talent in technology, IT, Marketing, Customer Services, Sales etc. with emphasis on inducting and upgrading existing talent within BSNL. Dynamic leadership is also required.

Recommendation 3.3

We strongly and totally oppose VRS/Transfer. Already 10,000 employees are retiring every year, without much recruitment. The existing manpower in BSNL should be treated as a boon and be trained and best utilized for improving BSNL's performance.

Recommendation 3.4

While we are for improving the performance of BSNL and the productivity of employees, we do not understand what exactly is the meaning and implication of meritocratic organization. We request that the details of the proposed meritocratic organization be provided to us, after which, we will respond. However, motivating employees by improving team productivity is required.

Recommendation 4.0

We are for an efficient system enabling procurement with quality and without any hindrance or political interference.

Recommendation 5.0

We fully agree to these recommendations which are necessary for running an efficient and viable service.

Recommendation 6.0

We totally and emphatically oppose the recommendations for disinvestment, IPO, VRS etc. The government and BSNL management have assured us several times that Disinvestment / IPO / VRS etc. will not be decided without consultation with employees unions.

There is no need or necessity to disinvest / IPO as also VRS. Disinvestment has not helped MTNL. Ten thousand employees are retiring every year in BSNL and the staff strength has been reduced from 3,50,000 to 3,00,000 during the last 10 years. The above recommendation is completely opposed by us as it is unproductive and is meant for privatizing BSNL in phases.

Recommendation 7.0

We agree with the recommendations. We demand that Government should direct all Central & State Government Departments and PSUs to have their telecom services from BSNL and MTNL only. Such directions have been given by the govt. so that air travel should be by Air India only.

Recommendation 8.0 and 9.0

We support these recommendations. But at the same time these projections and projects etc. should be implemented on a time frame. In the past, we have experienced, that even 100 days programme could not be completed in time.

Recommendation 10.0

The recommendation to unbundle local loop is strongly opposed. Unbundling will result only in foregoing the benefit and advantage for BSNL in a competitive market. We have been assured by government earlier that local loop will not be unbundled. This assurance is to be honoured.

Recommendation 11.0

We support the recommendation.

Recommendation 11.1

We strongly oppose sharing of the active infrastructure which is nothing but handing our assets to our competitors.

Recommendation 11.2

We fully support these recommendations which will enable BSNL to implement the social commitment of the government to provide universal service, especially in the rural and remote areas.

Recommendation 12.0

We fully support these recommendations. For implementation of these, highly skilled professionals should be recruited.

Recommendation 13.0

We oppose the formation of any subsidiary company, and as stated earlier, we are completely opposed to any disinvestment / IPO.

Recommendation 14.0

This is an issue which have to be discussed in details with all relevant information. We are for utilizing the vacant land and quarters in the best possible profitable manner. But we oppose the formation of any subsidiary and collaboration with Real Estate Companies for this purpose.

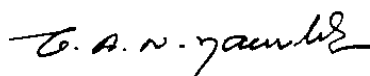
Recommendation 15.0

This may not be viable in view of the present financial condition of BSNL.

While in the Report, the Sam Pitroda Committee stated that there were substantial details available on each of these recommendations. The same were not provided to us, thus putting a severe restriction on enabling us to understand the meaning and implications of these recommendations.

We may be intimated about the present position of each and every recommendation.

Yours Sincerely,



[V.A.N.Namboodiri]
Convenor, JAC