

FORUM OF BSNL UNIONS / ASSOCIATIONS

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

Forum/GL

Dated: 9th May, 2013

To

Shri P. Chidambaram,
Hon'ble Finance Minister,
Govt. of India &
Chairman, Group of Ministers on Revival of BSNL & MTNL,
New Delhi – 110001

Sir,

Sub: - Measures to be taken for revival and revitalisation of BSNL and MTNL, the strategic Telecom PSUs, to protect the interest of the Telecom Industry as well as that of the public.

Introduction:

The Forum of BSNL Unions / Associations, the Co-ordination Committee of the Unions / Associations of two lakh and fifty thousand Executives and Non-Executives Working in BSNL submits the following memorandum to the Group of Ministers constituted and entrusted with the task of taking crucial decisions for the revival of the Public Sector telecom companies, BSNL and MTNL, for favourable consideration and prompt decisions.

The Forum is happy that the Government has appointed the GoM for the revival of BSNL and MTNL. The BSNL employees appreciate the necessity of the revival of BSNL which is required for a better service to the nation and the public.

BSNL and MTNL are the two strategic PSUs in the telecom sector with huge social obligations as government companies. BSNL has invested thousands of crores of rupees in the Rural and remotest part of the country to develop optical fibre network and land lines, whereas private operators invested nothing in these areas. Private operators invested only in lucrative mobile sector, where operational cost is very less. The entire burden of the social obligations of the Govt. to provide telecom services to the Rural and remotest part of the country falls on the shoulders of BSNL.

It is a fact that till the entry of MTNL in Mobile sector in 2000, private operators were charging @ Rs. 18/- per outgoing call and @ Rs. 8/- for incoming calls. The call rates were slashed to Rs. 2.40 for outgoing call and "zero" for incoming call after the entry of BSNL. It is a matter of fact that by the entry of BSNL and MTNL, tough competition started in Mobile sector and today the tariff is one among the cheapest in the world.

The private operators, sensing the danger of continuation of strong PSUs, BSNL and MTNL, started targeting and weakening them in the name of level playing field. Govt. also acted arbitrarily by not protecting the interests of the PSUs and not recognising the services done by the them in keeping the tariff and cartelization of private operators under check.

Govt violated the policy commitments of NTP 1999, thereby weakening the PSUs and giving undue advantages to the private operators. The violation of the policy commitments and arbitrary changes in the policies midway such as Stopping of Access Deficit Charges(ADC), change in IUC regime, allowing private operators for roaming in CDMA which is against the licensing conditions, changeover from fixed licence to revenue sharing, stoppage of refund of spectrum charges and license fees, procurement issues faced by BSNL in a fierce competitive environment as a Govt PSU (in the name of L1 tender, CVC, CAG, national security etc) and forcibly taking away Rs 18500 Crores from BSNL in the name of 3G and BWA spectrum charges are the major components which caused threat to BSNL and weakened it. It is a fact that BSNL was never in operational profit since

its formation, leaving the subsidies and concessions available to it based on the above policy commitments of the Govt. **In addition, the continuation of top Management of BSNL/MTNL on deputation for the last 12 years caused irreparable damage to the growth of PSUs. The recommendations of Sam Pitroda Committee constituted by Hon'ble Prime Minister for the revival of BSNL and MTNL was also neglected by the Govt.**

The issues to be addressed by the Govt. to make these PSUs viable:

Top Management of BSNL should belong to the company, not on deputation.

For the last twelve years, both these strategic PSUs are headed by officers on deputation from DoT. They refused to join the PSUs even after four chances whereas all other employees and officers to the tune of 4 lakhs have taken absorption in BSNL/MTNL. This had made mockery of the absorption process. Being Govt. servants, the top Management is not ready to take bold policy decisions which are required in a competitive environment, keeping the interest of the company and not able to introduce any reforms for the revival of the company as professionals. All the top positions of the BSNL Management like heads of Circle/State, SSA/District etc. are filled with officers on deputation from DoT on temporary basis except the members of BSNL Board. **As recommended by Sam Pitroda Committee, the deputation should end and top Management positions should be occupied by professionals who are integral part of the company. For this purpose the absorbed officers have to be promoted and posted at key and strategic positions and for the remaining posts as also Management has to go in for recruitment. This is the first step Govt. has to do for the revival of the company. Any other initiative for the revival will not yield the desired results as the present Management which are filled with the deputationists will not be able to implement the same.** Top BSNL Management has played havoc with huge reserves of Rs 40,000 crores that Company had a few years before without taking any action to bolster growth of the Company.

No disinvestment in BSNL.

It is the policy of the governments at the centre to make disinvestments in the Central PSUs. We are against any such disinvestment in BSNL. BSNL being the PSU in the strategic Telecommunications sector, has to remain as a fully owned government company. It is an undeniable truth that the government can only rely upon it's own company for communications, in times of internal and external emergencies. Private companies like Airtel, Reliance etc., or MNCs, like Vodafone, Docomo etc., cannot serve this purpose. There is genuine apprehension in the minds of the employees that disinvestment, if started in BSNL, will ultimately result in it's privatisation. The experiences of VSNL and MTNL are there for every one to see. Initially, 30% strategic sale of it's shares took place in VSNL. But now it has been privatized. In the case of MTNL, 47% shares are disinvested today and it will become a private company if four more per cent of shares are sold. Hence, we request that govt. should not start disinvestment in BSNL.

No VRS in BSNL.

It is nothing but a myth that BSNL is overstaffed. The staff strength in BSNL and other private telecom companies are incomparable. Unlike the other private companies, BSNL is having a huge number of land line connections. Further, BSNL is also providing land line service in rural, hilly and far flung areas, which require a large number of employees to maintain the system. Private operators do not have such burdens and hence the size of their staff is comparatively small. The committee headed by Shri Sam Pitroda recommended in 2010 to retrench 1,00,000 employees in BSNL. Based on this, BSNL Management worked out a scheme and has sent it for govt.'s approval. The employees of BSNL firmly oppose any proposal for VRS. In an organization wherein more than 17,000 employees are retiring every year, out of the total strength of 2,50,000, there is absolutely no need for introducing any VRS scheme, spending thousands of crores of rupees. Incurring a huge expenditure for implementing VRS, will become a very big burden for the Company and will further weaken it's financial position. Implementation of VRS will not in any way help BSNL to improve it's viability. The experience of MTNL is there for every one to see. VRS has been implemented four times in MTNL. However, it has not helped the Company to improve it's position in any way. Similarly, once the PSU banks implemented VRS in a big way. But the same banks are making

large scale fresh recruitments now to make good their shortage of staff. It is being projected that 50% of BSNL's revenue is being spent for payment of salaries. This percentage is high, mainly because BSNL's revenue has drastically dwindled in the recent years. Hence, urgent steps are needed to be taken to augment the revenues of the Company and retrenchment of the employees through VRS is not the solution.

Compensation for Rural Services.

In order to meet its social obligations, as decided in the telecom policies of the Govt. from time to time, BSNL has been providing landline services in the Rural India as well as in highly inaccessible areas of the Country like North East, Jammu & Kashmir, Ladakh, Assam, Andaman & Nicobar Islands, Himachal Pradesh, Uttarakhand etc. BSNL has also invested thousands of crores in these rural areas during the last one decade to build countrywide basic telecom infrastructure. Significantly, unprecedented telecom revolution witnessed in the mobile segment in the recent past would have never taken place had this basic infrastructure not been put in place by BSNL. This basic infrastructure was fully exploited by private operators to provide wireless services, and they have absolutely no contribution in building this infrastructure. The private operators had also no contribution to meet the critical component of social obligations of telecom policy of Govt. in the terribly loss making rural India. This responsibility is unflinchingly and admirably met by BSNL alone. Today, BSNL, continuing to meet the social obligations of telecom policy, is incurring a recurring loss of Rs. 10,000 crores per annum. BSNL is bleeding not only because of huge capital investment it made in building basic infrastructure, but also because of its continuing singular contribution in maintaining rural landline services. Further, in order to maintain the land line services, BSNL requires huge manpower, which the private operators don't require. In addition to its 2.5 lakh regular employees, BSNL is forced to employ another 50,000 contract workers to maintain the landline services. Leaving aside the land line segment, the employees deployed in the mobile segment of BSNL is comparable with any private operator and industry standard. This has to be acknowledged by the Govt.

In recognition of all these, conscious policy provisions were appropriately incorporated in telecom policy of 1999 to subsidize BSNL to keep it in race in the stiff telecom competitive market. These policy provisions which have been grossly overlooked over a period of time, were essentially meant to enable BSNL to compete in a truly level playing environment. Despite unilateral and arbitrary withdrawal of one policy concession after another that was assured to BSNL at the time of Corporatization, BSNL has never for the last one decade till date, looked back to meet huge economically unviable social commitments of the government, to develop this basic telecom infrastructure in the remotest parts of the country at unbelievably huge costs.

In order to meet the social obligations of the government, BSNL is providing land line services at concessional tariffs. The rural landline tariff is still regulated by Govt. and BSNL is not having a free hand to charge the minimum to meet the operational costs. Sole reason for BSNL's loss is its huge expenditure for the operations and maintenance of rural lines. If this gap of more than Rs.10,000 crores is compensated by the Govt., then BSNL would have recorded profits last year also. Out of BSNL's total 29,000 telephone exchanges, 28,000 are in rural areas. There are thousands of rural exchanges where the revenue is not even sufficient to meet the electricity and labour charges. BSNL is forced to deploy huge manpower in the rural and remote areas to maintain the land line connections. If the Govt. is not supporting BSNL for providing services in the rural areas, then BSNL will be forced to close down the land line services in order to come out of the present financial crisis.

Thus, the huge burden on BSNL because of its continued sole participation to provide land line services in highly loss making rural and remote areas and also undertaking other activities towards fulfillment of the social obligations of the Govt. in a broader and holistic perspective, keeping in view the policy commitments of NTP 1999 and other commitments of the government. Government shall not summarily brush aside this fundamental and unique role of BSNL in the name of ensuring level playing field when it comes to compensating BSNL and have to take hard cognizance of the fact that if BSNL has to compete in a fierce competitive market, or, it has to be completely freed from

the shackles of meeting the social commitments of the government to sustain highly loss making telecom operations in the remotest parts of country.

Procurement mechanism for equipments for expansion work – CVC / CAG / Independent external monitors etc. may be involved prior to the finalization of tender.

It may be noted that BSNL was permitted to start mobile services only in 2002, whereas, the private operators were permitted to start mobile services in 1995 itself. This gave the head start to the private operators. However, inspite of this benefit given to the private operators by the govt., BSNL made rapid strides in the mobile segment also. From 2004 to 2007, BSNL competed neck and neck with Airtel and remained as the second biggest mobile operator. But thereafter road blocks were created by the government in BSNL's mobile equipment procurement. In 2007, BSNL's tender to procure 45 million line mobile equipments was cancelled. Due to the struggle conducted by the employees, BSNL was permitted to procure 23 million line equipments through that tender. Subsequently, the tender floated to procure 93 million line equipments and also two tenders floated to procure 5.5 million line equipments each, were cancelled. This created severe capacity crunch to BSNL and it was handicapped from competing with other private operators. **During the last six years, i.e., after 2007, the country has witnessed exponential growth of mobile lines. However, BSNL was disabled from taking advantage of this growth. Had the artificial capacity crunch, created by way of cancellation of BSNL's tenders not been there, the country would have witnessed BSNL's success story in the mobile segment.**

It may not be incorrect to say that BSNL is the victim of the legacy of the govt. set up. BSNL has to follow the tendering process for the procurement of it's equipments, which consumes a long time. However, the private operators do not have this compulsion. They take expeditious decisions across the table, in respect of their procurement of equipments, expansion, etc. This gives them an advantage over BSNL. Thus, a suitable procurement mechanism has to be put in place, which will ensure expeditious procurement of equipments to BSNL.

Refund of BWA spectrum charges.

DoT allotted non standardized BWA spectrum to BSNL for TDD-BWA operation in 2.6 GHz (2635 - 2655 MHz) in early 2008 for Rural WiMax project of DoIT. BSNL/MTNL was not allowed to participate in the BWA tender process also. After auctions, TDD frequencies allocated to other private operators are in the 2.3 GHz band (2302.5-2322.5/ 2305-2325/ 2320-2340/ 2327.5-2347.5 MHz, & 2357.5-2377.5 MHz). Both Wimax and Long Term Evolution (LTE) can be deployed in these BWA bands. BSNL paid Rs.8,313 crores as BWA spectrum charges like other service providers. For both spectrums of 2.3 GHz and 2.6 GHz band, DOT charged the same rate. The greatest handicap of this band for BSNL is that it is standardized for FDD applications and BSNL will not be able to use this spectrum for future TDD-LTE services. Private service providers have got standardized spectrum for same cost for TDD applications having complete flexibility to offer either Wimax or LTE services. LTE is a natural successor to 2G and 3G technologies already implemented by BSNL. Investment on procurement of equipment in these bands is highly competitive. Telecom gear makers manufacture TDD compatible equipment. Private operators thus hugely save on equipment costs whereas BSNL loses heavily.

BSNL is having 3G and BWA spectrums. After having detailed study, BSNL decided to surrender the redundant BWA band in all the Circles except four. Delay on part of the Government to refund the staggering amount of about Rs.7000 crores to BSNL on flimsy grounds yet again demonstrates apathy of the Government and how much serious it is in reviving its own company of huge strategic importance in telecom sector, having met the component of social obligations of telecom policy of the government in an exemplary and outstanding manner. The decision of the Government that BSNL will have to wait refund till this redundant band is auctioned is untenable and completely devoid of any merit whatsoever. BSNL is desperately in need of capital to bolster its growth and make capital investments in critical and strategic business areas of growth.

Pension contribution should be on actual basic pay, and not on the maximum of the pay scale.

Government stands committed to pay pension to BSNL absorbed employees from erstwhile DOT under the provisions stipulated in Rule-37 A. In fact, this special dispensation of pension under 37 A vis-à-vis provisions contained in 1972 CCS Pension Rules constituted the cornerstone of the process that facilitated expeditious and smooth absorption. As per the DOP&T OM dated 15th May, 2000, based on the decision of the government on the recommendations of the 5th CPC, pension contribution payable w.e.f 01.01.1996 in respect of employees on foreign service/deputation was based on the maximum of the pay scale. Accordingly, based on this order, BSNL has been paying pension contribution to DOT for the BSNL absorbees on the maximum of the pay scale w.e.f. 01.10.2000.

However, based on the recommendations of 6th CPC on pay revision of the Central Govt. employees w.e.f 01.01.2006, the government, vide DOP&T OM dated 19.11.2009, and in supersession of its earlier order dated 15th May, 2000, modified its earlier order relating to pension contribution payable w.e.f 01.01.2006 in respect of employees on foreign service/ deputation, linking it to actual basic pay, and not on the maximum of the pay scale. The premise of Rule 37A is that its provisions will have complete parity with the provisions of CCS Pension Rules 1972 in all respects. Any distortion of Rule 37A vis-à-vis CCS Pension Rules 1972 is a clear breach of trust and understanding on which Rule 37A is carved out and on the basis of which about 3.5 lakh employees got absorbed in BSNL from DOT. Payment of Pension contribution by Government departments in terms of order of DOP&T is a corollary to CCS Pension Rules 1972 and payment of pension contribution by BSNL has also be just in accordance to the said order. Forcing BSNL to pay pension contribution at maximum of pay scale is indirect contravention of Rule 37 A seen and interpreted in the context of CCS Pension Rules 1972. BSNL has already paid about Rs 1,800 crores since 2007 (300 crores per year) in excess of what it is to legitimately pay as pension contribution in terms of order of DOP&T derived from CCS Pension Rules 1972. The existing DOP&T OM dated 19.11.2009 in letter and spirit to be implemented so that BSNL also pays pension contribution on actual basic and an ailing strategic telecom company of the Govt. is not subjected to discrimination and unnecessarily overtaxed to jeopardize its growth.

Reimbursement of License fee.

National Telecom Policy (NTP)'99 did not envisage recovery of any license fee from BSNL (then DoT) in respect of its fixed line services. In respect of GSM line services, the license fee was to be paid by BSNL but the same was to be fully reimbursed, being a national service provider having immense rural and social obligations. BSNL has been paying the license fee in respect of basic services and cellular services also. Accordingly, BSNL has suffered a total financial loss of about Rs. 26,000/- crores up to 31.03.2013. Further it is facing the recurring financial loss of Rs. 1200 crores per annum on the payment of license fee and Rs. 1750 crores towards USO contribution per annum contrary to NTP'99. Moreover, the Telecom Commission in one of its meeting took decision to reimburse the license fee to BSNL on its rural lines. But later the Department of Expenditure did not agree to this decision and even today the license fee is continuously being charged from BSNL on the Wired Line network in Urban and Rural areas of the country which was created by DOT and was transferred to BSNL along with its liability. Hence, the charging of license fee on DoT network is contrary to NTP'99. The license fee paid by BSNL should be reimbursed.

Exemption from payment to USO Fund contribution.

Universal Service Obligation Fund (USO Fund) has been constituted for expansion and development of the Telecom services and infrastructure in the rural areas alone. BSNL is the only operator which has invested thousands of crores in the Rural and remotest parts of the country and maintaining the network with huge operational losses. Almost 100% of land line connections in rural and remote areas are provided by BSNL with huge capital investments and recurring losses. Even after this, BSNL is forced to contribute towards USO Fund to the tune of thousands of crores per year.

Considering the fact that BSNL alone is meeting the social obligations of the Govt. and providing 100% landline connections in the rural areas, BSNL should be exempted from paying contributions towards USO Fund, as it is constituted exclusively for expansion and development of the rural areas.

Exemption for BSNL from payment towards additional spectrum.

The proposal to charge BSNL for the additional spectrum it has been allotted, should be dropped as BSNL is not in a position to pay the same.

Providing services to Central / State Govts, CPSUs, banks etc:

Considering the huge losses incurred by BSNL in meeting the social obligations of the Govt., as in the case of Air India, Govt should direct all Central and State Govt departments, PSUs and public sector Banks to take all telecom services from BSNL. BSNL is the only operator having all Telecom services like landline with broadband, 2G services, 3G services (both data and voice), wireless broadband, data services, leased line circuits, MPLS VPN services, CDMA services etc etc. BSNL is having huge optical fibre network, abundant bandwidth to meet all requirements. **This will definitely meet the Govt. requirement on security aspects.**

Refund the Interest on notional loan of Rs. 7500 crores:

At the time of Corporatization, a notional loan of Rs 7500/- crores was shown against BSNL on paper. BSNL is forced to pay interest @ 14.5% per annum on this notional loan and so far BSNL paid more than 12,000 Crores as interest alone. BSNL was ready to repay the entire amount when it was having cash reserve but that was not permitted by the Govt. This notional loan should be written off and whatever interest BSNL paid along with the Notional Loan returned may be refunded to BSNL.

Transfer of assets and making land bank for commercial utilization as recommended by Sam Pitroda Committee.

The assets transferred to BSNL on 01.10.2000 by Govt is not yet transferred in the name of BSNL. BSNL is maintaining the assets for the last 12 years and even paying taxes for the same. Sam Pitroda Committee recommended to complete the transfer of the land and other assets in the name of BSNL and create a land bank for its commercial utilization which make a business case for BSNL for its revival. This process has to be completed in a time bound manner.

Revival of Telecom Factories.

BSNL is having seven telecom factories in Kolkata, Mumbai, Jabalpur and Bhilai, which are the Company's in house manufacturing units. They have the infrastructure and manpower necessary to manufacture many important items required by BSNL. These factories are totally neglected and BSNL Management is showing interest to purchase all the items from open market. At present BSNL is purchasing large quantities of telephone instruments, modems, batteries, cables, Optic Fibre Cables etc. from the open market, spending huge amount of money. A sizeable amount of this money can be saved, if these items are manufactured in BSNL's factories. For this a nominal investment of capital and recruitment of a small number of engineers are required. If this is done, the telecom factories will become a source of income for BSNL.

Compensation for Cable damage for the work executed by Govt. agencies:

Large scale road widening and expansion works are going on throughout the country by different agencies like NHAI, Metro etc. During the expansion work, huge quantity of local and optical fibre cables are damaged but proper compensation is not given to BSNL for the restoration and repairing of the damaged cables. Further, the local authorities and different agencies are not permitting BSNL to lay the cable to the newly developing areas.

Proper policy commitment should be made to compensate BSNL for the damages caused by different Govt. agencies and free Right of Way (ROW) may be ensured for BSNL.

Compensation for Telegraph services.

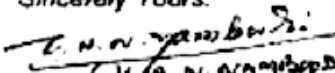
BSNL is maintaining the Telegraph services just to meet the social obligations of the Govt., especially the armed forces resulting in huge losses to the tune of Rs.500/- crores per year. This is not properly assessed and reimbursed to BSNL. The expenditure incurred by BSNL during the past years is to be assessed and accumulated losses should be reimbursed to BSNL.

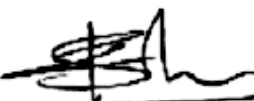
Abolition of Telephone Advisory Committees (TAC).

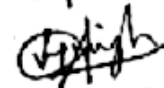
Telephone Advisory Committees (TAC) are functioning for BSNL in all SSAs / Circles. A lot of expenditure is spent for this. The TAC were constituted when the telephone service was the govt. monopoly. Now that there are many private telecom operators where there is no TAC. The system should be abolished since there is no further use.

These are some of the suggestions that the Forum of BSNL Unions & Associations would like to place before the Group of Ministers with regard to the revival and strengthening of BSNL. We hope that the GoM will favourably consider them and take appropriate decisions.

Sincerely Yours.

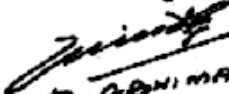

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With kind regards.



(P. Anand)
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(S.P. Sharma)
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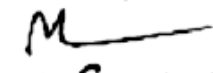

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Copy to:

1. Respected Sri. Manmohan Singh Ji, Hon'ble PM, for kind information please.
2. Sri Kapil Sibal, Hon MOC&IT, Govt of India for information and n/a please.
3. Sri Anand Sharma, Commerce and Industry Minister.
4. Sri Manish Tiwari, Information and Broadcasting Minister.
5. Sri Montek Singh Aluwallia, Planning Commission Deputy Chairman,
6. Sri V Narayana Swamy, MOS, Minister of State for Personnel, Public Grievance and Pensions
7. Sri. M. F. Farooqui, Secretary/DoT for information and necessary action please.
8. Ms Rita Teatia, Addl Secretary/DOT for information and necessary action please.
9. Sri R. K. Upadhyay, CMD, BSNL for information and necessary action please.