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No. AIBSNLREA/CHQ/2020/94

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To

Shri Narendra Modi,
Prime Minister of India,
South Block,
New Delhi 110011

Sub: Some hard facts on the grim picture in BSNL even after Cabinet approval of Revival Plan of BSNL/MTNL- Requiring an urgent attention

Sir,

Lots of brouhaha were created once the proposals from Department of Telecommunications on the Revival Plan of BSNL/MTNL, based on the suggestions from IIM Ahmedabad, was approved by the Union Cabinet in August 2019. But a quick appraisal of the present scenario prevailing in BSNL, even after one year of approval of Revival plan of BSNL/MTNL and forcing out 80,000 BSNL employees to leave the Organization, still gives a very gloomy and disappointing picture. Once one goes through this post-VRS scenario, we strongly believe that all will have to agree in one voice that it is all due to a deliberate and clever move by a section of a powerful lobby in DOT/BSNL, which being afraid of losing its grip and monopoly in the affairs of BSNL, excluded a very pertinent and vital suggestion of the same IIM Ahmedabad in regard to the issue of managing the affairs in BSNL from being put up before the Cabinet for approval.

2.1 Scenario in BSNL on post-approval of Revival Plan: Today, one finds that other than sending out 80,000 employees under VRS-2019, no noticeable progress has been made for implementation of the remaining proposals which were approved by the Cabinet just a year back. **The post-VRS scenario in BSNL is now really alarming to note.** Even though BSNL could save huge amount since February 2020 as it was not required to pay salary and perks to over 80,000 employees who took VRS, and also no pension contribution was required to be made to Department of Telecommunications, there is no end to the chaotic situation that was prevailing in BSNL before implementation of VRS. **Even now vendor bills, electricity bills, contract laborer wages, salary of the employees still in service, medical claims of the retired and serving employees, remittance of dues collected from the employees to DoT, Banks, LIC and co-operative societies are remaining pending as before.** Situation in some places has gone so worse that the BSNL Executives in the field are regularly facing threats, abuse, intimidation, physical obstruction through gherao by the agitated Contract labourers and their Union leaders. Only a month back, a Divisional Engineer in Calcutta Telephones was slapped publicly inside the Exchange premises by the unruly labourers.

2.2 Outsourcing of work draining resources: It may be mentioned here that **after implementation of VRS, BSNL has fully outsourced its outdoor maintenance work.** In the process, the employees who are still in service and working in outdoor sections have been practically rendered surplus. The outsourced work provides for payment to the contractors on per line basis, even if there are no faults. It is reported that the **expenditure on outdoor maintenance in many sections prior to outsourcing was far lesser than the payment now being made to the contractors, thanks to the provisions in the contracts.**

3.1 Reason for non-performance despite infusing Fund: *Now a question may come to the mind that when the Government was so generous to approve all the proposals placed by Department of Telecommunications and showed no hesitation to infuse huge fund, why BSNL is showing no signs of improvement. The answer to this question has to be found out from the interim Report of IIM, Ahmedabad, which was engaged to make an in-depth study and submit a 'Report on Revival/Restructuring of BSNL', whose Report was the base for the proposal submitted by Department of Telecommunications to the Cabinet on BSNL/MTNL's Revival Plan. But a very important part of the Report, which one will have no hesitation to admit as most important, seems to have been purposely excluded from the Cabinet proposal sent by DOT.*

3.2 Important suggestion of IIM, Ahmedabad for BSNL's Revival Plan omitted in DOT's proposal: *IIM, Ahmedabad had in fact suggested at Part-D, Para 6.c of its interim 'Report on Revival/Restructuring of BSNL' (at page 19) that "The Board of Directors should also include professionals who have had experience of running large businesses. The Board should not have only civil servants and academicians as independent Directors who have not been associated with running of business...". This Report by IIM, Ahmadabad went to suggest at Part-D, Para 6.d of its Report that "... the top leader (CMD) should be a professional who has experience of running business rather than a government servant who is appointed on a fixed-tenure by the Government [Relevant pages of the Report placed at Annexure-I].*

3.3 But due to obvious reasons, this all-important suggestion by IIM, Ahmedabad was conspicuously absent in the cabinet Note submitted by the DoT and later approved by the Union Cabinet. This might be because of the fact that this suggestion affects the interests of those who are virtually controlling the affairs in DOT and BSNL.

3.4 Decision to withdraw deputationists from BSNL/MTNL foiled: *The same power center which is believed to have managed to exclude this important suggestion from being part of the Cabinet proposal for Revival of BSNL also did not allow an old decision to create independent managerial cadre for BSNL and MTNL to see the light of the day. As a result, the ITS Officers from DOT, who refused to take absorption in BSNL/MTNL, are still occupying all the important managerial positions in BSNL/MTNL as on deputation/deployment for decades. These Officers are really having no accountability and responsibility towards BSNL and MTNL. In the process, a decision taken in the past to withdraw all ITS Officers from BSNL by the year*

2023-24 and from MTNL by the year 2020-21 remains only in paper [Copy of Annexure-A of letter No.A-11013/64/2012-Abs.Cell (II-A) dated 11th March 2013 Issued by DOT is placed at Annexure-II]

3.5 Recruitment of Management Trainees in BSNL against notified Recruitment Rules quietly shelved: Keeping in view of the need for its own Managerial Cadre, BSNL first issued a "Recruitment Rules of Management Trainees in BSNL" in 2007 vide its No. 400-07/2005-Pers.I dated 13.09.2007. Thereafter, it again issued another Recruitment Rules under the title "Recruitment Rules of Management Trainees (Revised)", vide its No. 400-106/2007-Pers.I (Pt) dated 01.09.2009. But before any recruitment could be made under these Rules, BSNL promulgated yet another "Recruitment Rules of Management Trainees in BSNL" vide its No. 400-212/2012-Pers.I dated 05.09.2013. But BSNL never recruited any single Management Trainee during these years, who were supposed to take over all the Managerial positions from the deputationists in the future years. It seems that *the same power Centre, which wished to run BSNL only on being deployed on deputation without having any accountability and responsibility, allowed quiet burial of the initiatives to recruit Management Trainees for their self-interest.*

4. If BSNL is really to be revived, Government must act on the suggestion of IIM, Ahmedabad in its Report for inclusion of professionals with experience in running large business in BSNL and also to opt for academicians from top-ranked Indian Management Institutes as Board Members. BSNL needs to have its own Managerial Cadre who will be accountable and responsible to BSNL. *There is also need for immediate induction of some knowledgeable and experienced Officers in Administration, Staff-Relations, Establishment and Personnel from DOP&T and other Organizations in BSNL Corporate Office for a short period so that HR activities, which are as important as other technical and financial activities, are properly planned, controlled and managed. We strongly believe that without revamping BSNL Management and allowing it to have its own professional managerial cadre, BSNL cannot be revived and saved.*

With kind regards,

Yours sincerely,

(S Basu)
General Secretary

Enclosures: As stated above.

Copy to:

1. Shri Amit Shah,
Minister of Home Affairs, &
Member, GoM on Survival of BSNL/MTNL.

Contd/-

2. Shri Rajnath Singh,
Minister of Defence, &
Member, GoM on Survival of BSNL/MTNL.
3. Smt Nirjala Sitharaman,
Minister of Finance, &
Member, GoM on Survival of BSNL/MTNL.
4. Shri Piyush Goyal,
Minister of Commerce and Industry, &
Member, on Survival of BSNL/MTNL.
5. Shri Dharmendra Pradhan,
Union Minister of Petroleum, Natural Gas & Steel, &
Member, GoM on Survival Plan of BSNL/MTNL.
6. Shri Ravi Shankar Prasad,
Minister of Communications & IT, &
Member, GoM on Survival of BSNL/MTNL.
7. Dr. Shashi Tharoor, M.P. &
Chairperson,
Parliamentary Standing Committee on IT.

Shri 7.9.2020.

Report on Revival /Restructuring of BSNL

IIM A

Prof Rekha Jain (co-ordinator)

Prof Vishal Gupta

Prof Ajay Pandey

Interim Report on Revival /Restructuring of BSNL

IIMA was given an assignment on studying BSNL and giving its recommendations for “revival/restructuring of BSNL” vide letter F.No. 10-3/2017-SU-I dated April 6, 2018 and July 31, 2018. The Terms of Reference were:

“To undertake a study with the objective of ‘Restructuring/ Revival of BSNL’, in accordance with the principles laid down in DPE guidelines dated 29.10.2015. The study will aim to propose new (or modifications to the existing) business, operational and financial plans of the Company. The findings of the study will additionally suggest the necessary changes that need to be made for revival/restructuring of BSNL”.

As a part of the study, the faculty members visited five circles representing somewhat well performing and not so well performing circles including one North-East circle. The well performing circles were – Kerala and Punjab, and the not so well performing circles included Gujarat, Calcutta Telephones and North East 1. The details of these visits are provided in Exhibit 1. These visits ended on December 5, 2018.

At the request of DoT as some key decisions are contemplated with regards to BSNL, IIMA was requested to provide an interim report on its assessment at the strategic level for BSNL. While the terms of reference as mentioned above are more comprehensive, this interim report gives a broader perspective and addresses four specific issues outlined in an interim meeting with DoT on December 26, 2018.

The specific questions addressed in this interim report are:

1. What should be the role of BSNL in the sector?
2. Should BSNL be allocated 4G spectrum?
3. What are some of the salient challenges necessary to be addressed for revival /restructuring of BSNL?
4. What steps need to be taken for revival /restructuring of BSNL and how will the restructuring be financed?

Parts A, B, C, D of the interim report covers our assessment on the issues listed above respectively.

Executive Summary

The Indian telecom sector has gone through consolidation and has a high degree of rivalry, especially with the entry of Reliance ‘Jio’. A natural question arises whether BSNL has any strategic role in the sector. In the long term, three cases for such a role are to ensure: (i) rivalry/competitiveness in the sector should the need arise in future, (ii) continued availability of telecom infrastructure and (iii) coverage to underserved/strategic areas. In the short term (0-5 years), there is a need to revive BSNL through strategic transformative initiatives. A decision on the way forward for BSNL after five years needs to be taken based on the review of steps implemented effectively.

Of these, the first objective of being an effective rival to retain competitiveness in the

BSNL's continued operation, policies for greater professionalization, increased devolution of decision making to the circle heads, improved IT systems etc.

- iv. iv. BSNL and DoT must come up with a plan within six months of allocation of 4G spectrum as to how it can best utilize its resources including human resources. The latter may require offering/negotiation at various levels with BSNL, possibility of VRS or reduction of superannuation age along with discussion on business plan and pay-revision and transfer of employees to different proposed infrastructure and project organizations of BSNL and programs such as Digital India, Solar mission, Smart Cities etc. The details of the impact of reducing the retirement age and introduction of VRS are presented in point 6.
 - v. v. Future allotment of other spectrum bands (4G, 5G, etc.) will be conditional upon BSNL's (and each circle's) performance as monitored from the third-year post 4G allotment.
6. **Organizational Restructuring:** including design for challenges highlighted in Part C and reduction in superannuation age by 2 years.

- a. **Reduction of Retirement Age:** We recommend the reduction of retirement age to 58 years. The average age of BSNL workforce is above 55 years. As can be seen from **Exhibit 12**, if the retirement age is brought down to 58 years, the reduction of workforce that may be achieved will be about **33,568 employees** (17142+16426).

The employee benefits expense of BSNL in 2016-17 was about Rs. 15,715 Cr (**Exhibit 14**). The employee strength of BSNL in the same year was **1,96,448** (from BSNL annual report 2016-17). This implies the per employee cost is about **Rs. 8 lakhs** (as per 2016-17 figures).

As shown in Exhibit 12, the total saving due to reduction of retirement age to 58 years over the next six years will be about **Rs 13,895.44 Cr**.

Even if the reduction of retirement age has to be done at the cost of implementing the 7th CPC recommendations (or 3rd PRC of BSNL), the saving will be about **Rs 7,505 Cr** (assuming a 15% rise in employee cost due to the implementation of 3rd PRC).

- b. **VRS scheme: A VRS scheme** should be brought in for all employees in the **age group of 50 or more years**.

The scheme will be modelled on the following lines (as per DPE guidelines and the 'Gujarat Model'):

- i. An ex-gratia amount of salary (pay & dearness allowance) of 35 days for every completed year of service and 25 days for the balance of service left until superannuation (of up to 58 years) shall be paid to the employee.
- ii. All normal pensionary benefits under Rule 37A of the CCS Pension Rules in

addition to the ex-gratia benefits would be available to the employee who has been given VRS.

Expected Cost of VRS Scheme: The cost components of VRS are as follows: Ex-Gratia, Gratuity, Pre-ponement of Pension, Pension Commutation, Leave Encashment.

The number of employees who will retire through VRS will be **20,883 (assuming 25% of [16158+15882+13582+11698+9059+7163+5264+4537])** (refer Exhibit 12). The employee cost that BSNL will likely save due to the VRS will be **20,883 * 8 lakhs = Rs. 1,670.56 Cr per year** (without implementing 3rd PRC) and **20,883*9.2 lakhs = Rs. 1921,24 Cr per year** (after implementing 3rd PRC).

As of now, we do not have exact data of VRS components.. However, given the experience of MTNL (estimated cost was Rs. 5953 Cr. for 9527 employees of MTNL²), we estimate the **cost of VRS** will be about **Rs 13,048.86 Cr.**

- ✓ c. BSNL Leadership and Board of Directors: The Board of Directors should also include professionals who have had experience of running large businesses. The board should not have only civil servants and academicians as Independent Directors who have not been associated with running of business. Academicians for top-ranked Indian management institutes or foreign institutes may be opted for board positions. However, the number of academicians should not be more than 1 at any time. Also, the top managerial positions should not be left vacant for a period of more than 3 months.
- ✓ d. Implementing a performance-driven culture: All employees should be evaluated on a well established performance criteria. A merit-based culture should be created in the organization. All appointments (recruitments and promotions) should be based strictly on merit. The top leadership of BSNL should be evaluated by DoT and should be made accountable for the profits and health of the organization. We even suggest that the top leader (CMD) should be a professional who has had experience of running business rather than a government servant who is appointed on a fixed-tenure by the government.
- e. Details of other changes in BSNL that will be required for a turnaround will be provided in the Final Draft Report. The above is indicative of the major changes necessary at the top level only.

7. **Provide Contingent Liquidity Support for BSNL:** Given its financial condition, BSNL may require financial support for it to be revived in future. BSNL has already asked for authorization to take loans for 50% of its operating expenses for next 2 years. While from an accounting point of view, asking for letter of comfort (a contingent liability) is not same as budgetary support, economically both are

² As per details shared with us about VRS scheme for MTNL by DoT

Annexure-II

No. A-11013/64/2012-Abs. Cell
Department of Telecommunications

Annexure 'A'

Requirement Plan of BSNL and MTNL for ITS officers

Year	No. of ITS officers posts to be operated in BSNL on temporary and diminishing basis (I)				No. of ITS officers posts to be operated in MTNL on temporary and diminishing basis (II)				Retirement of entire DoT cadre at the level of SAG and JAG effected initially at the JAG/ DGM level and later at SAG/GM level in BSNL (III)				Retirement of entire DoT cadre at the level of SAG and JAG effected initially at the JAG/ DGM level and later at SAG/GM level in MTNL (IV)				Reversion/repatriation of ITS officers from BSNL to DOT at different levels (V)				Reversion/repatriation of ITS officers from MTNL to DOT at different levels (VI)			
	HAG	SAG	JAG	Total	HAG	SAG	JAG	Total	HAG	SAG	JAG	Total	HAG	SAG	JAG	Total	HAG	SAG	JAG	Total	HAG	SAG	JAG	Total
2012-13	30	384	531	945	3	39	41	83	0	0	13	13	0	0	3	3	6	0	10	16	0	4	0	4
2013-14	24	384	508	916	3	35	38	76	0	0	38	38	0	0	10	10	7	15	20	42	1	0	0	1
2014-15	17	369	450	836	2	35	28	65	0	0	35	35	0	0	9	9	7	15	20	42	1	0	0	1
2015-16	10	354	395	759	1	35	19	55	0	0	42	42	0	0	10	10	7	15	20	42	0	0	0	0
2016-17	3	339	333	675	1	35	9	45	0	0	35	35	0	1	9	10	3	20	20	43	1	0	0	1
2017-18	0	319	278	597	0	34	0	34	0	0	35	35	0	10	0	10	0	20	30	50	0	0	0	0
2018-19	0	299	213	512	0	24	0	24	0	0	46	46	0	12	0	12	0	30	30	60	0	0	0	0
2019-20	0	269	137	406	0	12	0	12	0	0	53	53	0	12	0	12	0	30	30	60	0	0	0	0
2020-21	0	239	54	293	0	0	0	0	0	0	53	53	0	0	0	0	0	40	1	41	0	0	0	0
2021-22	0	199	0	199	0	0	0	0	0	55	0	55	0	0	0	0	0	40	0	40	0	0	0	0
2022-23	0	104	0	104	0	0	0	0	0	54	0	54	0	0	0	0	0	50	0	50	0	0	0	0
2023-24	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

No. of ITS officers in BSNL is reducing to 'Nil' in 2023-24.

No. of ITS officers in MTNL is reducing to 'Nil' in 2020-21.

Handwritten signature
3/13