

Corporate Planning & Monitoring Cell,  
BSNL Corporate Office,  
6<sup>th</sup> floor, Bharat Sanchar Bhawan,  
Harish Chandra Mathur Lane, Janpath,  
New Delhi - 110001  
Tel: 91-11-23766012  
Fax: 91-11- 23351291  
E-mail: ltp@bsnl.co.in



**भारत संचार निगम लिमिटेड**  
(भारत सरकार का उपक्रम)  
**BHARAT SANCHAR NIGAM LIMITED**  
(A Govt. of India Enterprise)

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

**Sub:—** Examination of the subject "Review of Loss making CPSUs" by Committee on Public Undertakings.

**Ref :** Letter No: 59-71/2017-SU-IV dated: 26.03.2018

Kindly find enclosed, herewith, a copy of above cited letter received from Lok Sabha Secretariat, on the subject mentioned above along with a copy of the list of points in connection with examination of above mentioned subject.

The letter has sought the replies of points pertaining to BSNL. The points have been marked to the units responsible for furnishing the reply. *Though the related points have been marked for convenience, still the complete list of points may please be read carefully and reply to any other point even not marked but concerning your unit may also be sent to avoid delay in this matter.*

It is requested to furnish inputs on the above mentioned points to CP&M cell positively by 27.03.2018 1200 Noon on FAX No: 011-23351291 to enable this office to send a compiled reply to DOT. The soft copy of the same may please be emailed at [ltp@bsnl.co.in](mailto:ltp@bsnl.co.in).

Encl: As above (List of Points uploaded on BSNL Intranet portal)

  
(Sanjay Sohani)  
GM (CP&M)  
26.03.18

CGM (NC-NGN)/  
PGM/ Sr. GM / GM – C(NWP-GSM-I) / (NWP-GSM-II) (NWP-CFA) / (NWP-BB) / (CNP) / BFCI  
/ CA /S&M/ RN/ Radio/ CS& CGM (legal) / BW (Civil) / Resttg) / (Pers) / (Estt) / SR/ Vigilance/  
Infra/NWP-CDMA/

U.O. NO. CP&M /1-128/2017

Dated: 26.03.2018

**Most Immediate**

No.59-71/2017-SU-IV  
Government of India  
Ministry of Communications  
Department of Telecommunications  
(SU-IV Unit)

Sanchar Bhawan, 20 Ashok Road,  
New Delhi, the March 26, 2018.

To

1. The CMD, BSNL, New Delhi.
2. The CMD, MTNL, New Delhi.

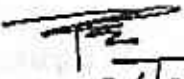
Subject: Examination of the subject "Review of loss making CPSUs" – List of Points in connection with Examination of the subject "Review of loss making CPSUs".

Sir,

Kindly find enclosed herewith a copy of Office Memorandum No.253/1(2)-PU/2017 dated 22.03.2018 received from Committee on Public Undertaking Branch, Lok Sabha Secretariat (LSS) along with List of Points in connection with Examination of the subject "Review of loss making CPSUs".

2. It is requested that replies to these points may kindly be furnished immediately for obtaining of approval of competent authority before onward forwarding to Lok Sabha Secretariat. Soft copy of the reply may kindly be emailed at [madhusudanan.vk@nic.in](mailto:madhusudanan.vk@nic.in) and [pawan.gupta.dot@gov.in](mailto:pawan.gupta.dot@gov.in). The reply should reach this office by 4 p.m. of Tuesday the March 27, 2018.

Encl. as above.

  
26/3/18  
(Pawan Gupta)  
Director (PSU-I)  
Tel.: 23036019  
Fax: 23372493

Copy to:

1. AGM (Parl.) / AGM (CP&M), BSNL, New Delhi.
2. GM (O), MTNL, New Delhi.

*Urgent vs Pl.*  
*26/3/18*  
*AGM (CP&M-II)*

e-313401/2018/JS(A)  
26/3/2018

**MOST IMMEDIATE**  
**CONFIDENTIAL**

**(COMMITTEE ON PUBLIC UNDERTAKINGS)**

No. 253/1(2)-PU/2017

22 March, 2018  
1 Chaitra, 1940 (S)

**OFFICE MEMORANDUM**

**Subject: Examination of the subject 'Review of loss making CPSUs'.**

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The Committee on Public Undertakings have selected the subject 'Review of loss making CPSUs' for examination and report to Parliament. In this connection, the Committee have taken the evidence of BSNL and MTNL on 27 June 2016 and 26 September 2017 respectively and that of the Ministry of Communication (Department of Communication) on 8 December, 2017. Sittings of the Committee were also held with various CPSUs and their Administrative Ministries / Departments and other stake holders. Based on the evidence of the concerned CPSUs, Ministries/their Administrative Departments and stake holders, points pertaining to the subject arising out of the deliberations of the Committee are enclosed herewith.

2. It is requested that replies to these points (50 copies in English and 25 copies in Hindi), with distinct cover page (*Appendix*) may kindly be furnished to the Secretariat latest by 2 April, 2018.

3. Since all material and agenda papers pertaining to sittings of the Committee are now being sent mandatorily to Members in electronic form through e-Portal meant for Members of Parliament, a soft copy of the aforesaid replies, both English and Hindi versions, may kindly be emailed at [comm.pub@sansad.nic.in](mailto:comm.pub@sansad.nic.in).

4. The receipt of this communication may please be acknowledged.

DDG (SU)

✓ Dix (PSU-I)

D

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23/3/2018

TS 26/3

(G. C. PRASAD)  
DEPUTY SECRETARY  
TEL: 23034335/5239  
[comm.pub@sansad.nic.in](mailto:comm.pub@sansad.nic.in)

Ministry of Communications,  
(Department of Telecommunications),  
(Ms. Aruna Sundararajan - Secretary),  
Government of India,  
Room No. 210  
Sanchar Bhavan, 20, Ashoka Road,  
New Delhi- 110001.

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**APPENDIX**

**REPLIES TO THE LIST OF POINTS**

**ON THE SUBJECT**

**REVIEW OF LOSS MAKING CPSUs**

**FOR**

**COMMITTEE ON PUBLIC UNDERTAKINGS**

**MINISTRY OF COMMUNICATION,  
DEPARTMENT TELE COMMUNICATION**

**MARCH-2018**

**(Reference: Lok Sabha Secretariat No. 253/1(2)-PU/2017 dated 22 March 2018)**

## COMMITTEE ON PUBLIC UNDERTAKING

### LIST OF POINTS IN CONNECTION WITH EXAMINATION OF THE SUBJECT 'REVIEW OF LOSS MAKING CPSUs.

#### A. BACKGROUND

1. Please give a brief note on the history of emergence and development of CPSUs in the tele-communication sector.
2. How many CPSUs are currently under the administrative control of the Department of Telecommunications (DoT)? How many of them are under losses and how many of the loss making CPSUs are stated for closure/revival/restructuring? Please furnish details.
3. As per DoT, what major reasons can be attributed for CPSUs going under loss in the communication sector. Please elaborate.
4. What remedial measures were taken by DoT from time to time to bring the CPSUs out of losses? Please elaborate on each CPSU especially BSNL and MTNL. GM(CA)
5. Please categorically state how many of the loss making CPSUs under DoT can be closed down, how many of them can be revived/restructured, etc to bring them out of losses. Kindly furnish the status and details in respect of each loss making CPSUs. GM(CA)
6. What is the nature of support provided by the DoT to the sick CPSUs to bring them out of losses? Kindly elaborate whether any support in the form of tax benefit, subsidy or exemptions on Import/export, waving of interest etc. was provided to the loss making CPSUs. GM(CA)  
GM(BFCI)
7. What is the total accumulated losses of the CPSUs under DoT and the total investment made by the Government on the CPSUs which have been closed or shut down by the Government during the last three years. Please furnish the latest information. GM(CA)  
GM(BFCI)
8. What is the mechanism available in the DoT for regular monitoring of the financial and physical performance of the loss making CPSUs under them? At what level is such monitoring done? Is the monitoring mechanism sufficient for taking timely remedial action? Please elaborate.
9. Whether NITI Aayog has made any recommendations/observations on the course of action to be taken on the loss making CPSUs under DoT? If so, please share the information in respect of each CPSU. Do you agree with the recommendations of the NITI Aayog? Please furnish your comments.

One of the suggestions emerged during the deliberations of the Committee was to merge MTNL with BSNL to bring the two CPSUs out of losses. But past experience shows that merger of two CPSUs has not been profitable/workable.

10. Is the suggestion workable? Can all the issues be addressed on merger of the CPSUs? Kindly give your views.

**B. POLICY REGULATIONS FOR CPSUs**

CPSUs have evolved over the last 60-70 years and the entire economic Scenario and the Communication Sector has changed.

11. In the given circumstances, should there be any basic policy changes? Do you suggest any road map? kindly give your views and suggestions.

It emerged during examination of the subject that majority of the mobile companies are in losses due to undercutting of price. Such undercutting of prices could also be prevalent from the private companies in the Communication sector that may be one of the reasons for losses by CPSUs under DoT. Some CPSUs have argued for a level playing field.

12. Whether any strong regulatory mechanism is required to prevent an unhealthy atmosphere/competition through undercutting of prices? Kindly give your views.

During examination of the subject there was suggestion for providing a level playing field for CPSUs that would exempt CPSUs from complying to CVC scrutiny, C&AG guidelines, scrutiny from CBI etc. It was also suggested to exempt CPSUs from social and statutory obligations on recruitment which are not applicable to the private sector.

13. Don't you think that in the absence of proper checks and balance, monitoring mechanism and scrutiny we would be creating a more precarious and insecure situation for our economy? Kindly comment. *GM (Vigil)*

14. Don't you think that jobs for the marginalized sections of the society would diminish in the proposed set up, while providing employment is one of the social obligations of the CPSUs? Kindly comment. *GM (Recruitment)*

15. What are your suggestions for protecting the interest/rights of the marginalized sections of the society especially the sections whose employment has been protected/guaranteed under the provisions of the Constitution?

Regarding the areas on which Government can help CPSUs, there was a suggestion for the need of consistency of work, transformation of board driven entities and hold the board accountable for its decisions. There was also a suggestion for the need of consistency of policies. Some of the stakeholders were also of the view that CPSUs are often seen as implementers of government policies and priorities, beyond

their business objectives. The same set of rules and guidelines need to be applicable for all companies in the sector, irrespective of ownership, in order to arrive at a balanced view.

- 16. Do you agree with the suggestion? If yes, in the aforesaid context, what would be the exact role of the Government and the CPSU? Please elaborate. Are you of the opinion that there should be no distinction between the private sector and the public sector? Please clarify.
- 17. It was suggested that the role of the Government should be of a moderator or regulator and not manufacturer. Kindly comment on this issue.

**C. RETAINING STRATEGIC CPSUs**

During examination, there was a suggestion that CPSUs operating in areas of strategic importance for the Country and those whose absence would bring in significant inefficiencies in the market, should merit a different treatment.

- 18. Do you agree with the suggestion? If so, what according to you, what are those strategic areas? What kind of differential treatment is advisable for the strategic CPSUs? Please explain.

**D. AUTONOMY FOR CPSUs**

The Committee during study observed that the Board of CPSUs lack adequate powers to (i) make their own recruitment (ii) procure machinery or pass/participate in strategic tenders (iii) monetize their assets, etc. These have been cited as some of the major reasons for losses by the CPSUs.

- 19. Whether the desired level of autonomy was provided to the loss making CPSUs under DoT to take decisions on commercial/business operations in line with their private counter-parts? Please elaborate, if there were any limitations.

GM (GM)  
 PGM (SAM)  
 GM (CA)  
 GM (BFCI)

- 20. According to you, whether powers related to the above aspects should be given to the CPSUs? If yes, to what extent these powers should be devolved upon to the CPSUs? Please explain.

- 21. If not, what dangers do you foresee in giving these powers to the CPSUs? Please offer your comments on each issue.

LSM (NWP-CFA)  
 GM (CA)  
 GM (BFCI)  
 PGM (NWP) SM

- 22. What support the DoT can give to the CPSUs to face stiff competition from private competitors?

- 23. CPSUs have to venture into non-profitable areas and to cater to remote areas to endorse social responsibility which the private sector is exempted from. This could also be one of the reasons for CPSUs to go into losses. Please comment.

GM (RN)  
 PGM (NWP) SM  
 PGM (CA)  
 (3/2/17)

During examination of the subject there was a suggestion that the entire Board including the administrative ministry need to be held accountable for the business outcome and take collective responsibility for the decisions taken by them.

24. Do you think that Boards should be more accountable for the business outcome of the CPSUs? If so, please outline the role of the Administrative Ministry with regard to the powers that should be retained by them.

E. MODERNISATION OF EQUIPMENT

25. What measures have been taken for modernisation and upgradation of machinery and equipment to help them compete with the private players? Please elaborate.

F. CUSTOMER SATISFACTION

26. Customer satisfaction is an area of concern. What remedial measures were taken to increase the customer base and satisfaction? Please elaborate.

27. Has any independent study been carried out? If so, please share the observation of the study.

G. DISINVESTMENT/STRATEGIC SALE

28. Give your views on the current scenario prevailing regarding the disinvestment of CPSUs/ strategic sale of CPSUs.

29. How many profit making CPSUs under DoT have been proposed for 'offer for sale' and strategic disinvestment? Please furnish details of the CPSUs.

30. What is the rationale of disinvesting these CPSUs while they are making profits? Please elaborate.

31. How many of the loss making CPSUs under DoT are proposed for disinvestment? Kindly furnish the present status and progress on disinvestment on each loss making CPSU under the DoT?

H. CONSOLIDATION / MERGER OF CPSUS

During the evidence, it was noted that sectors in which private sector's presence is immense and CPSUs are losing relevance, for instance the pharma and construction sector companies, etc. CPSUs with common purpose need to be consolidated and merged so that employees are retained and specialisation of the CPSUs could be gainfully utilised.

32. In the opinion of DoT, how many of the loss making CPSUs under them can be consolidated/merged to get them out of losses. Kindly furnish information with specific details of CPSUs.

CS (Legal)

PCM (NWP)

PCM (NWP-FA)

PCM (NWP) BB

PCM (NWP) BB

PCM (SAM)



### I. FIXED TERM FOR MANAGEMENT

During evidence it emerged that a stable long term management (say over 5 years) would be required for efficient management and governance of the CPSU. Since crucial decisions have long term impact, CMDs and top management should not be appointed for short term as it would be difficult to fix their accountability and responsibility.

33. Has DoT identified any CPSU in the current scenario under them that can make a turnaround given long term management and restructuring? If so, please furnish details of such CPSUs. */GM(CA)  
GM(Respon)*
34. During evidence, there was also resentment on bringing IAS/bureaucrats to head the CPSUs. Instead technocrat with sound knowledge and experience in the field was suggested. Kindly give your views. *— GM(Pers.)*
35. According to you, what should be the ideal tenure given to CMDs to make them more accountable to the decisions taken by the Board? Please elaborate. */CS(Legal)*

### J. LOSSES DUE TO DIVERSIFICATION OF ACTIVITIES BY CPSUs

It was observed during examination that many loss making CPSUs diversified their activities in order to earn profits. Gradually, these CPSUs went into losses as the CPSUs did not have the expertise in the new area.

36. Is the aforesaid observation true? If so, please point out instances of CPSUs under DoT which went into losses after diversification. */GM(CA)  
CS(Legal)*
37. Kindly give your views on the rationale behind diversification of activities by CPSUs. Whether a policy is required in this aspect? Give some suggestions to overcome the trend.

### K. RETURN ON INVESTMENT(ROI)/RETURN ON EQUITY (ROE)

During examination of the subject, one of the issues that emerged was the Return on Investment (ROI)/ Return on Equity(ROE) on CPSUs. An example given was a CPSU making profit of Rs. 1 Crore on an investment of Rs. 5000 crore being considered a profit making CPSU.

38. What according to you should be the actual parameter for measuring or categorising CPSUs as loss making or profit making CPSU? Please elaborate on this issue with reference to the investment made.

On the issue of retaining strategic CPSUs, some of the stake holders suggested that strategic CPSUs to be present in monopolistic markets to address national security or other key issues of national interest. The structure for these CPSUs should relate to

governance, accountability, and minimization of loss to the Government. Returns may be predicted on cost-plus basis, if possible.

39. Can the performance of CPSUs be measured on cost-plus basis? If so, kindly suggest the methodology by quoting instances of loss making CPSUs?

L. BRPSE

The BRPSE that was set-up in the DPE for advising the Government on measures to restructure/revive communication and non-communication sick CPSUs was wound up in November 2015. Now the concerned administrative Ministry/Department are responsible to monitor the sickness of CPSUs functioning under them and take timely redressal measures with the approval of the competent authority.

40. In your opinion, is the new arrangement, more better than the earlier set up of BRPSE? If yes, please give your views.
41. If not, do you have any new suggestions for better monitoring of the sickness of CPSUs? Please elaborate.

M. LAND MANAGEMENT AGENCY (LMA)

Department of Public Enterprises has issued guidelines on time bound closure of sick/loss making CPSUs in disposal of movable and immovable assets vide their OM No. DPE/5(1)2014-Fin (part) dated 07.09.2016 which states at para 2 (iv) that "Land Management Agency (LMA) is the CPSE, such as NBCC/EPIL which is nominated by the Administrative Ministry/Department/Board of the CPSE under closure to manage, maintain and assist in disposal of land."

42. What is the progress made by NBCC and EPIL regarding the disposal of land/monetization of properties of CPSUs under DoT? Please provide details regarding the advertisements made, request for quotation received, valuation of properties, assets monetized so far, revenue gained, purpose for which utilized, etc. /PGM(BN)  
GM(CA)
43. Are the activities related to monetization/disposal of assets of CPSUs displayed on the website of DoT and the concerned CPSUs? /PGM(BN)  
GM(CA)
44. What measures do you suggest for making the process of monetization of assets/disposal of assets of loss making CPSUs more transparent and fair? /PGM(BN)  
GM(CA)

N. MANPOWER ISSUES

45. Kindly furnish a detailed note on manpower issues related to loss making CPSUs under DoT and citing instances on how those issues were resolved.

46. Has the Department thought of a road map for painless exit/rehabilitation of employees engaged with the loss making CPSUs under them? Please furnish a detailed note quoting instances from recently closed/merged loss making CPSUs.
47. How many litigation cases filed by employees against CPSUs are pending in Courts? Whether DoT has taken any steps to resolve the matter or expedite those cases? Please furnish details.

GM (Pers)  
GM (SR)  
GM (Resub)  
GM (Legal)  
ACS

It has been stated in the DPE survey that due to the restructuring in some CPSUs, Government announced the Voluntary Retirement Scheme (VRS) in October 1988. A comprehensive scheme was later notified by the DPE in May 2000.

48. How many employees have been released under the scheme (i) from each of the loss making CPSUs under DoT, (ii) the number of employees whose cases are still pending with DoT as on 31st December 2017.
49. One of the major concern is attracting professional talent on CPSU Boards is a major task for efficient performance of the CPSUs. According to you what methodology should be adopted to attract best talented professionals on CPSU Boards?

GM (Est.)  
GM (Pers)

There was a suggestion for Union and Management jointly preparing rehabilitation/revival package in case of loss making CPSUs.

50. Do you agree with the view. If not, what are the dangers of involving Unions in devising rehabilitation/revival package for the CPSUs in which they are employed?

GM (SR)

#### O. DELAY IN DECISION MAKING

It emerged during examination that many CPSUs went into losses due to delay in decision making by the administrative Ministry or the Government.

51. How many proposals for closure/revival/restructuring from CPSUs are pending with DoT? Kindly furnish a detailed statement in respect of each loss making CPSU under DoT indicating the nature of proposals, period of pendency, present status of the proposals, etc.
52. Do you suggest any measures on how such delays can be avoided? What would be the ideal time-span in which such decisions should be concluded.

#### P. CASE STUDIES OF CPSUs

53. Has DoT carried out any case study in respect of CPSUs that were constantly making losses but later made a turn-around? If so, kindly furnish a brief background on such case studies.

- 54. ..During examination, It was stated that NBCC which was constantly making losses made a turn-around. Can similar turnaround of NBCC be replicated in other loss making CPSUs under DoT? Please elaborate.
- 55. Any other information germane to the subject for the consideration of the Committee.

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