

Sam Pitroda committee recommendations

BSNL is the seventh largest telecommunications company in the world providing a comprehensive range of telecom services in India with an equity capital of Rs 12000/- crores , net assets worth Rs 88,000/- crores and a turnover of Rs 35000/- crores. Further, the company caters to 90 million customers, has 300,000 employees, 750,000 kms of optical fiber , a network of 40,000 towers, extensive urban (except Mumbai and Delhi) and unparalleled rural coverage and many more unique assets and capabilities that offer significant potential for growth , revenue generation, value unlocking and social relevance.

This wholly owned government enterprise is under severe pressure and is making losses for the first time due to increased competition, a declining fixed line market, antiquated processes and procedural bottlenecks especially related to purchase of equipment, bureaucratic and government dependent decision making system, lack of collaborative actions, large work force, regulatory changes, operational inefficiencies and other internal and external challenges.

At a meeting chaired by the Prime Minister to review the functioning of BSNL in January 2010, it was agreed to set up a committee to examine the issues and submit recommendations within a time period of one month. The Committee had three meetings and a series of major discussions with BSNL executives, Department of Telecom (DOT) leading consultants, investment bankers, private sector representatives, present and former employees of the company and others. During its consultations, the committee also reviewed hundreds of emails, individually and collectively. Based on these discussions, the committee strongly believes at that it is possible to bring about a turnaround at BSNL and once again position it as the dominant player in telecom- by profit ,revenue, market share, technology, services and social relevance. However, this will require vision, commitment and support from the government to implement bold initiatives and hard decisions.

The recommendations of the committee need to be viewed against the backdrop of the market over the last five years where the Indian Telecom Industry has gone through a period of intense transformation occurring the multiple dimensions—

- ❖ Mobile telephony has leapfrogged fixed line telephony with over 550 million mobile Sim connections and increasing compared to 35 million landlines and decreasing.
- ❖ Telecom has transitioned from a “ technology driven” business to “ customer Centric” business requiring an organizational DNA of customer care.
- ❖ The industry has gone from being a monopoly to hyper competition with over ten Operators.
- ❖ Competition is reducing prices, improving technology and introducing new business Models.
- ❖ Telecom is now becoming pervasive in India with far reaching implications in Governance, agriculture, education, health, defense, business, energy, infrastructure, finance, productivity efficiency, competitiveness, public services etc.,

The Committee RECOMMENDS THE FOLLOWING TO IMPROVE OVERALL PERFORMANCE OF BSNL

- 1.0 Enhance the quality of senior executives, the management team and the decision making process to respond to the competitive business environment and the changing market realities.
- 1.1 Focus on selection of the best professionals from the market, at market rates for higher level management, with relevant experience and domain expertise (estimated around 30-50). Internal candidates should be given equal opportunity, without any policy of preferential treatment.
- 1.2 Appoint an eminent person from the private sector with strategic vision and the stature to interface with the external environment, as the chairman to focus on shareholder value. Separate the post of the Managing Director/CEO (From CMD), who should be a person with relevant domain expertise, with full P/L responsibilities and autonomy to manage day to day operations. This must be done immediately. Also, for efficient decision making, empower the MD / CEO with the ability to act as fast as the competition.
- 1.3 Change the board composition to seven directors, one internal director (MD / CEO), two government nominee Non-Executive Directors with relevant skill set, three external independent directors of eminence and relevance and the non executive chairman. CFO and COO shall be prominent invitee to the Board.
- 1.4 Allow the Ministry to interact only through board representation and regular board meetings and not through day to day decision-making interfacing and supervision.
- 1.5 Appoint a full time Chief Technology Officer (CTO), a Chief IT Officer (CIO), a Chief Operating Officer (COO), and a Chief Financial Officer (CFO), all of whom should report directly to the CEO.
- 1.6 Appoint an advisory board for each of the business units. These should be appointed only by the Board.
- 1.7 Provide three year contracts with specific targets for all key management team members (estimated around 30-50) with restricted stock options and / or related incentives to deliver increasing profits and growth.
- 2.0 Complete the organization restructuring process currently underway to establish four independent business units for Fixed access, Mobility, Enterprise and New businesses with due clarity and coordination to avoid duplication of efforts and for efficient use of resources related to network, human resource, other facilities and services. Empower independent business unit heads to act as fast as the competition.

- 3.0. Improve organization performance and employee productivity substantially.
 - 3.1. Complete ITS absorption process immediately.
 - 3.2. Induct significant young talent in technology, IT, Marketing, Customer Services, Sales etc.,
 - 3.3. Retire or transfer around 100K employees through best possible processes like VRS.
 - 3.4. Institute a performance driven culture to create a meritocratic organization.
- 4.0. Change procurement processes and procedures substantially to respond to rapidly changing technology and industry needs with necessary transparency timeliness and accountability using tools such as E-Procurement, vendor rating, rate running contracts, schedules etc., to reduce reasonable delays and to avoid legal conflicts. However, to gain cost advantage and obviate technology risks, BSNL should focus on minimizing the capital expenditure by proactively seeking and adopting service legal agreement (SLA) bound shared solutions, for active and passive infrastructure needs. Simultaneously, to remain competitive in cost and quality delivery BSNL should adopt a managed service model for many of its operations e.g., Operations relating to network, IT, Call Centers etc. To ensure this carry out special consultations on a priority basis with the Chief Vigilance Commissioner, keeping in mind the special circumstances of a highly competitive Telecom Sector Government Company.
- 5.0. Enhance business operations by building special expertise in marketing, sales, distribution, customer service, billing, revenue assurance, quality assurance, service provisioning, network management, network planning, fault management etc. Simultaneously, manage cost aggressively. Take urgently, special initiatives to enhance the quality of service by empowering employee at all levels to focus on customer orientation and customer satisfaction. Improvement in customer satisfaction index to be part of the annual plan and performance matrix.
- 6.0. Disinvest 30% in stages at the appropriate time, say after fundamental changes have been made to enhance enterprise value, through Indian strategic investor and at Initial Public Offering (IPO) to return 10% to the Government and use 20% got employee VRS, expansion and operation. Further disinvestment could be considered after a detailed performance review in three years time.
- 7.0. Explore new markets and applications related to Enterprise, Government, Defense, Education, Health, Agriculture, Energy, Judiciary, New green field cities, Transportation, Security, Safety, Police, Disaster Management, Fiber to home (FTTH) etc. Create viable business models in these areas by collaborating with relevant expert organizations to make joint offerings.

- 8.0. Provide 30 million new high speed broadband connections in the next 3 years with relevant and useful applications and content in local languages and significantly improve quality of service and consider offering service level guarantee to win trust.
- 9.0. Invest in building a financially remunerative next generation end to end national IP Network of the future to handle ever increasing internet and data traffic.
- 10.0. Unbundle local loop for public and private companies to launch new services on non executive basis with care to prevent cannibalization.
- 11.0. Exploit BSNL's unique positioning of infra led biggest food print in rural India by creating additional revenue streams for rural infrastructure and capabilities.
 - 11.1. Proactively offer sharing of active and passive infrastructure to other operators to generate attractive returns and ensure non- cannibalization of BSNL customers by seeking compliance with appropriate conditions. Shared services may include intra circle roaming, renting of capacities on active and passive infrastructure etc.
 - 11.2. Enhance and expedite rural communication facilities, services and applications by connecting 2,50,000 panchayats and integrating various government flagship programmes targeted at rural development through NREGA, Rural Health Mission, Food Distribution, PDS, etc. to augment the inclusive growth agenda of the Government.
- 12.0. Implement immediately end to end IT systems and solutions (ERP, CRM etc.) for all key business processes in all business units with a focus on Finance, Billing, Human Resource, Customer Service, Network Management, Sales, Marketing, Project Management, Training etc.
- 13.0. Create a separate subsidiary company for tower related infrastructure to aggressively market to other public and private sector customers and unlock whole/substantial potential value through strategic stake sale, M&A or separate IPO. Explore possibilities of monetizing other such sub systems e.g., interconnect operations.
- 14.0. Create a separate subsidiary to hold undeveloped land bank and other real estate assets (estimated to be over 2.5 Million square meters of vacant land in seven key cities) and a large number of unutilized staff quarters, etc. Monetise the value of this subsidiary by collaborating with a reputed and experienced real estate related company in transparent manner.
- 15.0. Establish a BSNL venture fund to invest and / or acquire small appropriate technology companies with strategic values to encourage local innovation, local manufacturing and new business opportunities.

Please note that there are substantial details available on each of the above recommendations for further follow up.

It is suggested that these recommendations be implemented urgently in a mission mode with a dedicated team of three leading executives (MD/CEO, COO, CFO) with a detailed roadmap on each and every item specific time table, dedicated financial and human resources and measurable milestones to return BSNL to profitability, growth and a leadership position in the global telecom market.

The committee would be happy to guide the implementation process.

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