

TWENTY - SEVENTH REPORT
COMMITTEE ON PETITIONS
(SIXTEENTH LOK SABHA)
MINISTRY OF COMMUNICATIONS
(DEPARTMENT OF TELECOMMUNICATIONS)
(Presented to Lok Sabha on 16 March, 2017)



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(i)

**COMPOSITION OF THE COMMITTEE ON PETITIONS
(2016-2017)**

Shri Bhagat Singh Koshyari - *Chairperson*

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SECRETARIAT

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| 3. Shri Harish Kumar Sethi | - | Senior Executive Assistant |

(iii)

TWENTY - SEVENTH REPORT OF THE COMMITTEE ON PETITIONS
(SIXTEENTH LOK SABHA)

INTRODUCTION

I, the Chairperson, Committee on Petitions, having been authorised by the Committee to present the Report on their behalf, present this Twenty Seventh Report (Sixteenth Lok Sabha) of the Committee to the House on the representation received from Shri Arvind Sawant, M.P., Lok Sabha regarding improvement in services provided by the Bharat Sanchar Nigam Limited (BSNL) and the Mahanagar Telephone Nigam Limited (MTNL).

2. The Committee considered and adopted the draft Twenty Seventh Report at their sitting held on 14 March, 2017.
3. The observations/recommendations of the Committee on the above matters have been included in the Report.

NEW DELHI;

14 March, 2017
23 Phalguna, 1938 (Saka)

BHAGAT SINGH KOSHYARI
Chairperson,
Committee on Petitions

(v)

REPORT

REPRESENTATION RECEIVED FROM SHRI ARVIND SAWANT, M.P., (LOK SABHA) REGARDING IMPROVEMENT IN SERVICES PROVIDED BY THE BHARAT SANCHAR NIGAM LIMITED (BSNL) AND THE MAHANAGAR TELEPHONE NIGAM LIMITED (MTNL).

Shri Arvind Sawant, M.P., Lok Sabha submitted a Representation before the Committee regarding improvement in services provided by the Bharat Sanchar Nigam Ltd. (BSNL) and the Mahanagar Telephone Nigam Ltd. (MTNL) (Annexure-I).

2. Shri Sawant, in his Representation, *inter-alia* stated that BSNL and MTNL are not providing quality services to the customers as a result of which their subscriber base is shrinking very fast. Presently, both the Public Sector Undertakings are engulfed in various technical problems in their telephone network, viz., alarming rate of call drops, frequent collapse of network, poor broadband services, etc. The representationist also stated that inspite of various policy formulations and assurances, no concrete measures have been taken to improve the services. Shri Sawant, therefore, requested the Committee to examine this aspect in detail.

3 The Committee on Petitions took up the Representation for examination under Direction 95 of the Directions by the Speaker, Lok Sabha. Accordingly, the Representation was forwarded to the Ministry of Communications (Department of Telecommunications) for furnishing their comments on the issues raised in the Representation. In response thereto, the Ministry of Communications (Department of Telecommunications) *vide* their communication dated 7.4.2016, furnished the following comments:-

"The Government is conscious about the poor quality of services of BSNL and MTNL. These Public Sector Undertakings are in financial losses and facing declining revenues from loss of market share and increasing expenditure. These PSUs have not been able to invest adequately in the expansion/modernization of their network due to financial losses leading to network coverage issues. BSNL has not been able to invest in expansion of its network over the period 2008-2012.

The Government has taken several measures to revive BSNL and MTNL and provide some financial relief so that they could undertake expansion plans. These measures include treatment of pensionary liabilities of Government employees absorbed in MTNL and who opted for combined service pension on parity with similar employees in BSNL, waiver of Government loan to BSNL involving an amount of Rs.1411 crore, financial support of Rs. 6724.51 crore to BSNL and Rs.4533.97 crore to MTNL on surrender of Broadband Wireless Access (BWA) spectrum and financial support of Rs.492 crore to MTNL towards payment of Minimum Alternate Tax (MAT). Despite of financial constraints to enhance revenues through investments to strengthen its network and focus on customer care and service delivery to improve quality of service. In order to further improve the network, BSNL is taking the following steps:-

- (i) BSNL is augmenting its mobile network as part of its Phase-VII Project to create additional capacity of 15 million lines at an estimated cost of Rs.4804.77 crore. This will result in addition of 14421 2G sites and 10605 3G sites across the country.*
- (ii) Replacement of the entire network of wireline local exchanges by Internet Protocol (IP) enabled exchanges and deployment of Next Generation Network (NGN) equipment based on the latest architecture gradually to replace entire legacy telephone exchanges at an estimated cost of Rs.600 crore.*
- (iii) The Government has assigned the work of providing mobile connectivity in 2199 identified locations in Left Wing Extremism (LWE) affected areas through BSNL at an estimated cost of Rs.3567.58 crore and the work of providing mobile connectivity to uncovered villages in Arunachal Pradesh and two districts of Assam to BSNL on nomination basis at an estimated cost of Rs.1975.38 crore.*

The new projects of MTNL are:-

- (i) Augmentation of mobile network to enhance coverage and capacity by adding 1080 3G sites and 800 2G sites in Delhi and 1080 3G sites and 566 2G sites in Mumbai. The packet core capacity (Data handling capacity of network) will be upgraded to 10 Gbps in Delhi and Mumbai.*
- (ii) Augmentation of Microwave (M/W) backhaul network to support the enhanced speed.*

- (iii) *Migration of legacy telephone exchanges network to internet protocol (IP) based New Generation Network (NGN) exchanges in collaboration with C-Dot.*

Despite financial constraints, BSNL and MTNL are making all out efforts to address the problems of mobile coverage and in near future, this would certainly improve the quality of service with augmentation and expansion plans of their network."

4. On being enquired by the Committee about the details of market share of BSNL and MTNL in Wire line, Wireless and Broadband during the last three years, the Ministry of Communications (Department of Telecommunications), in a written reply, submitted:-

- I. *The market share of BSNL and MTNL in Wire line and Broadband (wire line) during the last 3 years is as follows:-*

<i>Period</i>	<i>Wireline</i>		<i>Broadband</i>	
	<i>BSNL</i>	<i>MTNL</i>	<i>BSNL</i>	<i>MTNL</i>
<i>December, 2013</i>	<i>65.54%</i>	<i>12.25%</i>	<i>29.96%</i>	<i>3.19%</i>
<i>December, 2014</i>	<i>62.71%</i>	<i>13.04%</i>	<i>22.04%</i>	<i>1.76%</i>
<i>December, 2015</i>	<i>59.31%</i>	<i>13.79%</i>	<i>15.67%</i>	<i>1.25%</i>

- II. *The market share of BSNL and MTNL in Wireless Service during the last three years is as follows:-*

<i>Period</i>	<i>Wireless</i>	
	<i>BSNL</i>	<i>MTNL</i>
<i>March, 2013</i>	<i>0.58%</i>	<i>11.66%</i>
<i>March, 2014</i>	<i>0.37%</i>	<i>10.46%</i>
<i>March, 2015</i>	<i>0.36%</i>	<i>7.96%</i>

5. On a specific query by the Committee with regard to the circle-wise number of subscribers of BSNL and MTNL who have switched over to the Private Operators during the last three years, the Ministry, in its written reply, submitted:-

Circle-wise number of subscribers of BSNL and MTNL who have switched over to the Private Operators during the last three years are as under:-

Sl. No.	Service Area	2012-13		Till 31.03.2014		Till 31.03.2015	
		BSNL	MTNL	BSNL	MTNL	BSNL	MTNL
1	Andhra Pradesh	364345		571179		811776	
2	Assam	12389		17612		25605	
3	Bihar	66010		95908		139228	
4	Delhi		103313		146983		186712
5	Gujarat	226511		328844		449238	
6	Haryana	278818		349558		428824	
7	Himachal Pradesh	22634		32938		43078	
8	Jammu & Kashmir	534		828		1883	
9	Karnataka	242186		337640		490077	
10	Kerala	180099		256900		377399	
11	Kolkatta	57679		80235		103680	
12	Madhya Pradesh	121487		170698		250376	
13	Maharashtra	234542		350429		496627	
14	Mumbai		87455		120689		157048
15	North East	3037		4210		5557	
16	Orissa	51716		70819		97161	
17	Punjab	331940		409137		498637	
18	Rajasthan	355042		488989		625760	
19	Tamilnadu including Chennai	193944		295979		423391	
20	Uttar Pradesh East	143961		198065		265376	
21	Uttar Pradesh West	142825		182642		236881	
22	West Bengal	79988		116760		180723	
Total		3109687	190768	4359370	267672	5951277	343760

6. The Committee further desired to know about the circle-wise details of complaints received regarding unsatisfactory mobile network, slow speed and irregular internet broadband services during the last three years. On this aspect, the Ministry of Communications (Department of Telecommunications), in its written reply, submitted that BSNL and MTNL are, in general, providing satisfactory telecom services in their respective license service areas and meeting the benchmark specified by the Telecom Regulatory Authority of India (TRAI). Moreover, the details of complaints received in respect of Landline, Broadband and Mobile services were submitted to the Committee as follows:-

I. Circle wise details of BSNL's landline Broadband faults:-

Name of the Circle	2012-13	2013-14	2014-15
Andaman & Nicobar Islands	2190	3483	2096
Andhra Pradesh	246340	337931	320983
Assam	21075	23050	28503
Bihar	29028	71832	74056
Chattisgarh	14986	14615	17615
Kolkata	219139	281671	297029
Chennai	255414	542541	505582
Gujarat	171437	180487	152261
Himachal Pradesh	19467	19810	28527
Haryana	54541	48610	43313
Jharkhand	23176	35037	30164
Jammu & Kashmir	22895	24089	19742
Kerala	349201	468122	271834
Karnataka	342981	282534	174152
Maharashtra	153412	246134	247279
Madhya Pradesh	44084	50792	62775
North East-I	9689	9282	7391
North East-II	2669	3582	3085
Odisha	35928	45843	44292
Punjab	102593	106481	100063
Rajasthan	128864	107174	73601
Tamil Nadu	147441	185737	146194
Uttarakhand	21990	22346	21922
Uttar Pradesh (E)	119095	97231	95868
Uttar Pradesh (W)	63922	70205	65352
West Bengal	52291	59547	52273
All India	2652948	3338166	2885952

II. Circle wise details of MTNL's landline Broadband faults registered during the last three years were furnished as follows:-

	2012-13		2013-14		2014-15	
	Landline	Broadband	Landline	Broadband	Landline	Broadband
Delhi	2642473	1236173	2933852	1311648	2650901	1255530
Mumbai	2089047	1182286	2010469	1262583	1972201	1379834

III. Details of complaints in respect of Mobile services of BSNL and MTNL during the last three years and current year were as follows:-

Sl. No.	Wireless Services Call Center (WSCC) Location	Circle	2012-13	2013-14	2014-15
BSNL					
1	Ahmadabad	Gujarat	316254	137163	307814
2	Pune	Maharashtra	336571	186098	210914
3	Ajmer	Rajasthan	721492	121746	79635
4	Bhopal	Chattisgarh, Madhya Pradesh	196663	685772	167568
5	Bhubaneswar	Odisha	NA	NA	50134
6	Dehradun	Uttar Pradesh (West), Uttaranchal	28594	27157	32894
7	Guwahati	Assam, North East-1, North East-2	93661	20689	26684
8	Jamshedpur	Jharkhand	COMBINED WSCC WITH BIHAR		8115
9	Karnal	Himachal Pradesh, Haryana, Jammu & Kashmir, Punjab	281487	270627	282541
10	Kolkata	Andaman & Nicobar, West Bengal, Kolkata Telecom District	136011	45409	55922
11	Lucknow	Uttar Pradesh (East)	126264	138499	131082
12	Bangalore	Karnataka	192056	261842	204183
13	Chennai	Tamilnadu	310358	517160	240222
14	Hyderabad	Andhra Pradesh	237952	195551	129536
15	Patna	Bihar	313685	209218	197231
16	Trivandrum	Kerala	177346	689472	529795
MTNL					
17	Delhi	Delhi	31395	23733	26401
18	Mumbai	Mumbai	76685	79681	69526

7. On being enquired about the measures being taken by BSNL and MTNL to overcome the problems like power supply problem, disruptions due to cable cuts arising from road development works, breakdown of cables due to old network of basic service, cable theft, etc., which are affecting their services, the Ministry, in its written reply, submitted:-

"BSNL has reported that the reasons like power supply problems, disruptions due to cable cuts arising from road development works, breakdown of cables due to old network of basic service, cable theft, etc. are affecting the services of BSNL to some extent. The power interruption has been managed by running the Engine Generators and keeping the batteries in proper working conditions to the extent possible. Field units have been directed for close coordination with the Local Bodies/PWDs/Water Authorities and National Highway Authority of India (NHAI) to prevent damage to cables. The damaged cables are being attended immediately to restore the services to avoid long duration interruptions. In the case of cable thefts, FIRs are lodged with police authorities.

Similarly, the services of MTNL are also affected to a large extent due to the reasons like power supply problem, disruptions on account of cable cuts by local agencies, breakdown of cables due to old network of basic service, cable theft, etc., MTNL is taking following measures to overcome the problems:-

- i) Regular meetings are planned with local Authorities and Police to avoid damage to the cables during infrastructure works and cable theft.*
- ii) Efforts are made to clear low insulation faults, repair of faulty Distribution Points (DPs) and pillars.*
- iii) New Remote Switching Unit (RSU)/CNEs (Customer Extended Network) are planned to reduce the cable lengths.*
- iv) Patrolling of the area by officers to avoid cable theft/damage.*
- v) Workshops are arranged to educate external staff.*
- vi) Customers are contacted on Mobile to fix convenient time to attend the fault.*
- vii) Regular maintenance of Indoor and Outdoor network.*
- viii) Proper maintenance of Base Transceiver Station (BTS) sites are undertaken regularly.*
- ix) Replacement of life expired battery banks and air conditioners.*
- x) There is continuous improvement and the efforts are made by MTNL to achieve the target."*

8. The Committee, thereafter, specifically enquired about the efforts being made by BSNL and MTNL to modernize their wireline and wireless networks. The Ministry, in its written reply, submitted:-

"BSNL and MTNL are taking several measures to modernize their wireline and wireless networks in their efforts to provide better services to their customers. In order of modernization of their wireline and wireless network, BSNL and MTNL are taking the following steps:-

BSNL

- (i) Providing more Broadband connections on Optical Fibre using Fibre to the Home (FTTH) technology to ensure more reliable and higher speed Broadband upto the order of 10 Mbps.*
- (ii) Closely monitoring the Fault Repair Service system, to ensure fault clearance as per the benchmarks. Regular monitoring of the same by concerned/competent authority of BSNL.*
- (iii) Coordination with the Local bodies, PWD, Water Authority and NHAI authorities to minimize the damage to underground cable as the same is the major cause of disturbance in telecom services.*
- (iv) Regular patrolling of important cable routes to prevent cable thefts/cable damages.*
- (v) As a step towards modernizing the wire line communication system, BSNL has planned for migration of legacy Public Switched Telephone Network (PSTN) to IP based Next Generation Network in the current Five Year Plan starting from 2013-14 which is in progress.*
- (vi) BSNL has been able to upgrade existing 1 million legacy Time Division Multiplexing (TDM) network in to IP Multimedia Subsystem based on Next Generation Network (NGN) technology in Phase-I and further conversion of three million lines to NGN in Phase-II is in progress. Through migration to NGN, the customer will get better communication facilities on wireline as well as the churn rate of wireline customers is expected to reduce. The Average Revenue per User (ARPU) is expected to rise by increased utility of wireline network by providing Enhanced Value Added Services like Personalized Ring Back Tone, Broadband VAS, Multi Media Video Conferencing and IP Centrex,*

etc. The introduction of various attractive tariff plans like free calling at night hours from 9 pm to 7 am, improved marketing strategies, etc. will further benefit the BSNL subscribers.

- (vii) Providing the state-of-the art Calling Line Identification Phone (CLIP) for enhanced customer satisfaction.*

MTNL

- (A) Measures have been taken to make the services more attractive and to increase the subscriber base:-*

- 1. Launched lucrative Broadband on FTTH plan with speed at 10 Mbps (Fair usage data download limit of 25 Gb at the monthly service charge of Rs.790/-) and 50 mbps with fair usage download ranging from 30 Gb to 300 Gb at a monthly service charge ranging of Rs.999/- to Rs.3500/-.*
- 2. Free Incoming National Roaming Facility introduced w.e.f. 01.01.2016.*
- 3. Free Up-gradation of the broadband bandwidth plans to 2 Mbps.*
- 4. Free 2 mbps Broadband for a month for existing LL Customers.*
- 5. Free unlimited local calling for Landline and Broadband customers and STD @3 min pulse to any network between 10 pm to 7 am.*
- 6. Option for Landline customers to get MTNL prepaid mobile with Freebies worth Rs. 300. Unlimited calls between the landline and Mobile number for One Year with Plan Charges of Only Rs. 1100/-.*
- 7. Wi-Fi project is initiated at private and public places on revenue share basis.*
- 8. Android based "My MTNL" app provides feature for complaint booking, provisioning request and bill payment.*
- 9. Integrated Call Center 1130 (Single Number) introduced.*

(B) Steps taken for technological up-gradation are as follows:-

MTNL is not able to upgrade its GSM and landline network for the last 3-4 years due to constraint of funds. In the wireless segment due to limited no. of BTS / Node B sites both for 2G / 3G the coverage and quality issues are encountered by the customers. MTNL is taking the following steps to enhance its network:-

- 1. 2G/3G network expansion: MTNL has been considering for up-gradation/ augmentation/expansion of its mobile networks. The case of 2G/3G network expansion is under consideration of MTNL Board. Parallel, MTNL, as a part of synergy, is exploring Managed Service Model with BSNL for its mobile service.*
- 2. Hybrid Microwave: MTNL is considering the backhaul media connectivity of existing mobile tower sites in Delhi and Mumbai on OFC network in place of Microwave network due to bandwidth considerations. In this regard, field units have already been instructed to carry out site wise media planning for mobile network on OFC.*
- 3. Improving access network quality by replacing the old copper/fiber network in phases.*
- 4. Migration of legacy Time Division Multiplexing (TDM) network to IP based Multimedia Service (IMS).*
- 5. Extending reach of FTTH and taking fiber to the HUB/near to the subscriber."*

9. Feeling concerned about the same, the Committee further desired to know the details of new projects assigned to BSNL and MTNL in order to improve their financial condition as well as with a view to generating additional revenue. The Ministry of Communications (Department of Telecommunications), in its written reply, submitted:-

"Government has assigned the following projects/work to BSNL and MTNL:-

- (1) **USOF Scheme being implemented by BSNL:** The details of various schemes being implemented by BSNL with the financial support of Universal Service Obligation Fund (USOF) are as under:-*

(i) **BharatNet**

BharatNet/National Optical Fiber Network (NOFN) project is planned to connect all Gram Panchayats (approx. 2.5 lakh) in the country through optical fibre utilizing existing fibers of PSUs viz. BSNL, RailTel and Power Grid and laying incremental fiber wherever necessary to bridge the connectivity gap between Gram Panchayats (GPs) and Block, for providing broadband connectivity. The access providers/service providers like mobile operators, Internet Service Providers (ISPs), cable TV operators, content providers can launch various services in rural areas. Various applications for e-health, e-education, e-governance etc. will be provided. The project is being executed by a Special Purpose Vehicle (SPV) namely Bharat Broadband Network Limited (BBNL). BBNL is getting the project executed through 3 CPSUs viz. BSNL, RailTel and Power Grid.

(ii) **Mobile Services in Left Wing Extremism affected areas:**

On 20.8.2014, the Cabinet approved a project to provide Mobile Services in 2199 locations in Left Wing Extremism (LWE) affected areas in the states of Andhra Pradesh, Bihar, Chhattisgarh, Jharkhand, Maharashtra, Madhya Pradesh, Odisha, Telangana, Uttar Pradesh and West Bengal, at an estimated implementation cost of Rs.3567.58 crore, to be funded by Universal Service Obligation Fund (USOF). The project is being executed by Bharat Sanchar Nigam Limited (BSNL). Agreement between USOF and BSNL has been signed on 30.9.2014. BSNL has awarded the work to the successful bidders. 1371 sites are radiating as on 31.01.2016.

(iii) **Comprehensive Telecom Development Plan for the North-Eastern Region:**

On 10.9.2014, the Union Cabinet approved a proposal to implement a Comprehensive Telecom Development Plan for the North-Eastern Region. The Project envisages to provide mobile coverage to 8621 identified uncovered villages, installation of 321 mobile tower sites along National Highways and strengthening of transmission network in the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. The estimated cost of

implementation is Rs.5336.18 crore. The Project would be funded by Universal Service Obligation Fund (USOF). This project includes:-

- (a) Provision of mobile services in uncovered villages in Arunachal Pradesh and Karbi Analog and Dima Hasao districts of Assam.
- (b) Provision of mobile services in uncovered villages in rest of North-Eastern Region.
- (c) Provision of seamless mobile coverage along the National Highways in North-Eastern Region.
- (d) Augmentation of Transmission media in NER.

BSNL has been nominated to execute the work related to the provision of mobile service in two districts of Assam and in the State of Arunachal Pradesh and the work of Augmentation of Transmission media in NER at an estimated implementation cost of Rs.1975.38 cores and Rs.295.97 crore respectively.

(2) MTNL has been awarded the following two new projects. The first project has been awarded to MTNL while the second project has been bagged by MTNL through proper tendering process.

(i) **High Speed Broadband Project-** The House Committee, Lok Sabha had assigned MTNL the work to provide high speed Broadband on FTTH and Wi-Fi services at the residences of Hon'ble MPs in Delhi. A total number of 773 residential Government Accommodations allotted to Hon'ble MPs are proposed to be covered under the schemes. DoT has accorded approval of upfront grant of Rs 43.20 crore vide letter No. 19-37/2014-SU-II Dated 27-2-15, to fund the capex requirement subject to actual expenditure whichever is lower.

(ii) **Mumbai surveillance Project-** MTNL has been awarded as a consortium partner for Mumbai surveillance project by Government of Mumbai for providing connectivity to 6000 cameras in Mumbai with network cost of 282 Cr to MTNL. MTNL Mumbai had signed an agreement with M/s L&T for about Rs.281 crore for this project."

10. On being enquired by the Committee about the details of funds allocated and released to BSNL / MTNL for the expansion of communication network capacity in various telecom services, the Ministry, in its written reply, submitted:-

"BSNL and MTNL do not receive any gross budgetary support from Government/Department of Telecommunications. All projections/ expenditure are funded out of internal accruals/external sources of funding. However, MTNL has received a sum of Rs.6.00 crore in financial year 2014-15 and Rs.28.56 crore in financial year 2015-16 for FTTH and Wi-Fi Project at the residence of Hon'ble Members of Parliament at Delhi."

11. Upon this, the Committee specifically desired to know the details of funds allocated and released by Universal Service Obligation Fund to BSNL and MTNL during the last three years, the Ministry, in its written reply, submitted:-

"As informed by Universal Service Obligation Fund (USOF), details of Funds allocated and released to BSNL by USOF during the last three years and current years is as follows:-

(Rs. in crore)

Sl. No.	Year	Funds Allocated*
1	2012 – 2013	187.01
2	2013 – 2014	1629.72
3	2014 – 2015	731.40
4	2015 – 2016 (as on 31.01.2016)	350.32
	Total	2898.45

**No fund is either allocated or released to MTNL by USOF.*

12. The Committee then enquired about the profit and losses incurred by BSNL and MTNL during the last three years and details of factors responsible for continuous losses. The Ministry, in its written reply, submitted:-

"The details of profit and losses incurred by BSNL during the last three years is given below:-

(Rs. in crore)

Sl. No.	Parameters	2012-13	2013-14	2014-15
1	Total Income	27,128	27,996	28,003
1(a)	Operational Income	25,655	26,153	27,242
1(b)	Other Income	1,473	1,843	1,403
2	Total Expenditure	34,900	34,930	37,292
2(a)	Salary and Wages	13,758	15,436	14,964
2(b)	OPEX	10,402	11,008	10,840
2(c)	Spectrum Charges and LF	2,052	2,243	2,170
2(d)	Finance Expenditure		220	502
3	Depreciation	8,336	6,023	8,817
4	EBITDA	733	-881	583
5	Net Profit	(-7,884)	(-7,020)	(-8,234)

The major reason for the losses to BSNL is due to decrease in revenue and increase in expenditure.

(A) The reasons for the decrease in revenue are as follows:-

- Fixed to mobile substitution.
- Stiff competition in mobile sector.
- Frequent downward revision of tariff.
- Outgo of Rs.18,500 crore as payment towards 3G and BWA spectrum charges resulted in reduction of reserves/ balance, which means reduction of Interest Income.
- Withdrawal of subsidies and compensation.
- Premature withdrawal of ADC (Access Deficit Charges).
- License fee non-reimbursement.

(B) The reasons for the increase in expenditure are as follows:-

- Huge legacy work force whose salary and wages is around 50% of the revenue (This has worsened the position due to implementation of

Sixth Pay Commission/ 2nd Pay Revision Commission (PRC) / Wage Revision Commission Recommendations).

- *Inheritance of legacy wireline systems.*
- *Economically unviable rural operations as social obligation.*
- *Increase in fuel charges due to increase in price of petrol and diesel and also in Repairs and Maintenance Costs.*

The detail of profit and losses incurred by MTNL during the last three years is given below:-

(Rs. in crore)

Statement of Profit/ (Loss) – MTNL (as a whole)			
Particulars	2012-13	2013-14	2014-15
Revenue from operations	3428.66	3391.73	3400.08
Other income	285.42	395.64	420.98
Total income	3714.08	3787.37	3821.06
Expenditure	9035.20	7085.99	6714.45
Profit/ (Loss) before Tax	-5321.12	-3298.62	-2893.39
Exceptional items (Income)	0.00	11620.93	0.00
Tax Expenses	0.00	497.18	0.00
Profit/ (Loss) after Tax	5321.12	7825.13	2893.39

Reasons for losses in MTNL were stated to be -

1. *High employees cost which is 99.51% of revenue from operations on average of three years.*
2. *Huge debt leading to high interest expenditure on account of payment of spectrum charges for 3G and BWA (Broadband Wireless Access) in the year 2010.*
3. *Stagnant revenue due to stiff competition and high tele-density in Delhi and Mumbai."*

13. The Committee, thereafter, desired to know the details of losses incurred by BSNL and MTNL on account of surrendered telephone connections during the last three years. The Ministry in its written reply submitted:-

Details of losses incurred by BSNL and MTNL on account of surrender of telephone connections are as follows:-

BSNL						
S.No.	2012-13		2013-14		2014-15	
1	Opening No of Working Connections	21021224	Opening No of Working Connections	19371814	Opening No. of Working Connections	17550043
2	Closing No. of Working Connections	19371814	Closing No. of Working Connections	17550043	Closing No. of Working Connections	15786687
3	Difference (Surrendered)	1649410	Difference (Surrendered)	1821771	Difference (Surrendered)	1763356
4	ARPU in Rs. (as on 31.03.2013)	203.75	ARPU in Rs. (as on 31.3.2014)	216.86	ARPU (as on 31.03.2015)	239.22
5	Tentative revenue loss due to Decline. in Wkg Conn. (in crore of Rs.)	33.61	Tentative revenue loss due to Decline. in Wkg Conn. (in crore of Rs.)	39.51	Tentative revenue loss due to Decline. in Wkg Conn. (in crore of Rs.)	42.18

MTNL				
		2012-13	2013-14	2014-15
<i>Basic</i>	<i>No. of connections surrendered during the year</i>	81401	128087	134699
	<i>Losses incurred on account of surrendered connections</i>	551151492	617578465	773120638
<i>Post- Paid</i>	<i>No. of connections surrendered during the year</i>	66931	68413	49544
	<i>Losses incurred by on account of surrendered connections</i>	63228605	58932713	47358082
<i>Pre-paid</i>	<i>No. of connections surrendered during the year</i>	525579	373633	117147
	<i>Losses incurred by on account of surrendered connections</i>	47359717	55319070	57202910
Total:		661739814	731830248	877681630

14. The Committee while referring to the points raised by the representationist in his representation about poor services, viz., dropping of calls, one-way speech, no network, poor broad band services by BSNL and MTNL, desired to know about the details of initiatives being taken by BSNL and MTNL to improve their network, focus on customer care and service delivery to improve the quality of services, the Ministry, in its written reply, submitted:-

"BSNL and MTNL taking following measures to enhance revenue through investments to strengthen its network and focus on customer and service delivery.

BSNL

BSNL's roadmap for future investment with focus on efficiency and quality is mentioned below:-

A. Completion of Phase VII GSM project

- BSNL will be completing Phase VII GSM expansion for 15 Million lines with provision of 10,510 3G BTSs and 14,232 2G BTSs with an investment of Rs. 4808 crore.
- Additionally, an investment of Rs. 1300 crore is also firm for installation of 9600 3G BTSs and 5300 old BTSs in North and South Zone. This will also include replacing of 5300 old BTSs of GSM Phase I, II and III.
- An approximate capacity of 5 million shall be added in the GSM network of North Zone and South Zone.
 - As on 31.12.2015, BSNL has already commissioned 16.42 million lines.
 - Out of the planned BTS, 9,829 (3G) BTS and 12,491 (2G) BTS have been commissioned (total 22,320). This will improve 2G and 3G network coverage and data capability of 3G network.

B. Augmentation of GSM Mobile network capacity

Phase VIII : Formulation of next GSM expansion project:-

- a. Phase VIII.1
Induction and integration of Wi-Fi Hotspot / Long Term Evolution (LTE -4G) with existing GSM /UMTS network.
- b. Phase VIII.2
Strengthening of Data Network.
- c. Phase VIII.3
Focus on active Sharing of GSM network through Intra Circle Roaming (ICR) arrangement.

- d. Phase VIII.4
Focus on enhancing 2G and 3G GSM coverage.

C. Replacement of legacy Wireline exchanges by Next Generation Network (NGN) switches –

- In first Phase, 1 million line of TDM switches will be upgraded into NGN class 5.
- In Second Phase, 3 million line of TDM switches will be upgraded into NGN class 5.
 - Total capacity migrated 1 Million lines and 4.56 lakh working lines have been migrated at 256 sites (644 LMGs) out of 263 sites (659 LMGs) planned in Phase I.
 - For the second phase, P.O has been issued for 1979 exchanges (3 million capacity).
 - 10 Million CDOT switches up gradation into MAX NGN tender is in process.

This upgradation is expected to reduce operational issues related to maintenance of wire-line network by making the core network concentrated and will also enable delivery of various value added services, such as personalized ring back tone (PRBT), Instant Messaging, etc. to the customers.

- D. *Augmentation of Broadband network for meeting data growth. BSNL is in the process of procurement of MPLS-TP based Next Generation Packet Aggregation Network (MNG-PAN).*
- E. *BSNL has taken up various projects to improve transmission network (backhaul capacities): such as MPLS, DWDM (Dense Wavelength Division Multiplexing), STM (Synchronous Transport Module) –CPE (Customer Premises Equipment), OTN (Optical Transport Network), etc.*
- F. *Setup of Network Monitoring system for Wire-line, Wireless and Broadband network.*

- G. *Launching of Inmarsat services.*
- H. *Roll out of Wi-Fi service: BSNL has targeted to set up large number of Wi-Fi Hotspots in year 2015-16. Out of the planned target of 263 Hotspots across 26 cities, BSNL has already commissioned over 303 Hotspots across 30 cities.*
- I. **BSNL-ECR CONE (Enhanced Capacity and Resilience of Core Network):-**

With a need to enhance the capacity and resilience of the BSNL long-distance transmission core network, a major project called ECR-CoNe has been planned for implementation during 2015-16 and 2016-17 with an estimated cost of approx. 1000 crore. This will result in Higher Data Speed Broad Band Services/Leasing of high capacity Bandwidth to telecom operators/Internet Service Providers, Resilience protected bandwidth upto 10Gbps. The major projects under this are:-

- *Expansion of Provider Edge Network of BSNL: Tenders has been finalized and Purchase order for Supply, Installation, Testing and Commissioning of 232 PE Routers have been placed.*
- *A super express highway of 200 GBPS bandwidth is planned with Next Generation- Optical Transport Network (NG-OTN) to be deployed in 47 cities. Tenders has been finalized and Purchase Order for first phase of NG-OTN equipment is already placed.*

- J. *Implementation of ERP project in BSNL: Out of 49 Units in BSNL, ERP has gone live in 49 units.*

- K. *Revenue generation from other sources:-*

- *Utilization of Land bank: Revenue target of Rs. 500 core in FY 2015-16.*
- *Monetizing Towers: 75,000 towers planning to outsource operation and maintenance, sales and marketing activities.*
- *Leasing of towers: Out of the target of leasing additional 2500 towers in 2015-16, BSNL has leased out 1076 towers.*

- *Utilization of Telecom Factories: Out of 7 TF, one TF Leased out.*

MTNL

MTNL is taking following measures for further improving the telecom services:-

(A) For mobile services:

- 1. Introduction of new frequency plan.*
- 2. Optimization of cell level parameters.*
- 3. Preventive maintenance to minimize the hardware faults.*
- 4. On line monitoring of BTS outages.*
- 5. Optimization of RF network regularly.*
- 6. Deployment of IBS (In Building Solution).*
- 7. Replacement of life expired battery banks and air conditioners.*
- 8. Net work will be expanded as and when needed.*

(B) For Landline/Broadband services:

- 1. Regular meetings are planned with local authorities and Police to avoid damage to the cables during infrastructure works and cable theft.*
- 2. Efforts are made to clear low insulation faults, redressal of building DPs and Pillars, outdoor faults to improve the line parameters.*
- 3. Exchanges/DSLAMS are relocated to reduce the cable length, MPLS-VPN is used for media and network and FTTH is given in certain areas.*
- 4. Night patrolling of the area by officers to avoid cable theft/damage.*

5. *Workshops/training are arranged to educate staff for handling the new challenges.*
6. *Customers are contacted on Mobile to fix convenient time to attend the fault. In case of locked premises SMS being sent to expedite fault rectification.*
7. *Regular maintenance of Indoor and Outdoor network.*
8. *IP tester is installed for proactive monitoring of Network equipment.*
9. *Faults handling is improved through provisioning of SMS to line staff/ officers, as well as customers.*

Further, following measures have been taken to make the services more attractive and to increase the subscriber base:

1. *Launched lucrative BB on FTTH plan with speed at 10 Mbps(Fair usage data download limit of 25Gb at the monthly service charge of Rs.790/-) and 50 mbps with fair usage download ranging from 30 Gb to 300 Gb at a monthly service charge ranging of Rs.999/- to Rs.3500/-.*
2. *Free Incoming National Roaming Facility introduced w.e.f. 01.01.2016.*
3. *Free Up-gradation of the broadband bandwidth plans to 2 Mbps.*
4. *Free 2 mbps Broadband for a month for existing LL Customers.*
5. *Free unlimited local calling for Landline and Broadband customers and STD @3 min pulse to any network between 10 PM to 7 AM.*
6. *Option for Landline customers to get MTNL prepaid mobile with Freebies worth Rs. 300. Unlimited calls between the landline and Mobile number for One Year with Plan Charges of Only Rs. 1100/-.*

7. *Wi-Fi project is initiated at private and public places on revenue share basis.*
8. *Android based "My MTNL" app provides feature for complaint booking, provisioning request and bill payment.*
9. *Integrated Call Centre 1130 (Single Number) introduced.*

(C) *Steps taken for technological up-gradation are as follows:-*

1. *MTNL is not able to upgrade its GSM and landline network for the last 3-4 years due to constraint of funds. In the wireless segment due to limited no. of BTS / Node B sites both for 2G / 3G the coverage and quality issues are encountered by the customers.*
2. *2G/3G network expansion: MTNL has been considering for up-gradation / augmentation / expansion of its mobile networks. The case of 2G / 3G network expansion is under consideration of MTNL Board. MTNL, as a part of synergy, is exploring Managed Service Model with BSNL for its mobile service.*
3. *Hybrid Microwave: MTNL is considering the backhaul media connectivity of existing mobile tower sites in Delhi and Mumbai on OFC network in place of Microwave network due to bandwidth considerations. In this regard, field units have already been instructed to carry out site wise media planning for mobile network on OFC.*
4. *Improving access network quality by replacing the old copper/ fiber network in phases.*
5. *Migration of legacy TDM network to IMS.*
6. *Extending reach of FTTH and taking fiber to the HUB / near to the subscriber."*

15. On being asked by the Committee as to whether BSNL and MTNL have formulated any revival plan for increasing their potential identifying business opportunities, Organizational restructuring and provision of training to enable their human resources to

grow into customer centric company with expertise in marketing and customer services delivery. The Ministry, in its written reply, submitted:-

"Board for Reconstruction of Public Sector Enterprises (BRPSE) in its review meeting held on 29.11.2012, had directed BSNL to formulate the comprehensive revival plan. Accordingly, M/s Deloitte was engaged as consultant for the work of `comprehensive review of BSNL and preparation of revival plan of BSNL.

The Consultant had submitted the final report on 10.07.2014. Subsequently they have also submitted an Addendum to final report on 22.09.2014 after incorporating the response on observation of BSNL Board.

BSNL Board had approved the recommendation of the consultant on "Revival Plan" and "HR Plan" with caveat that the management committee may review and recast the projected profit and loss account as presented by the consultant so as to indicate the factual position and directed that various steps may be initiated pursuant to the recommendations of the "Revival Plan" and "HR Plan".

The various initiatives and approvals by BSNL Board are under examinations for its implementation.

For MTNL, the revival plan has been prepared for MTNL taking into consideration various techno-commercial and organizational aspects and has been put up for consideration of MTNL management."

16. On the issue, the Committee also undertook a Study Visit to Mussoorie on 17 February, 2016 to have a realistic assessment of poor services by these Public Sector Undertakings and other aspects raised by Shri Arvind Sawant, M.P. (Lok Sabha).

17. During the Study Visit, the Committee categorically desired to know about the proposal of the Government for disinvestment in BSNL and MTNL and the reasons for not extending conditional financial support in lieu of surrender of Broadband Wireless Access (BWA) spectrum. The representatives of the Ministry of Communications (Department of Telecommunications), in this connection, submitted before the Committee:-

"Presently there is no proposal under consideration of the Government for disinvestment in BSNL and MTNL. The financial support to the BSNL and MTNL has been extended in lieu of surrender of Broadband Wireless Access (BWA) spectrum as per the request of BSNL and MTNL.

MTNL requested for surrender of BWA spectrum in Mumbai and Delhi. The same was accepted by the Cabinet and the spectrum charges paid by MTNL to the tune of Rs.4533.97 crore have been refunded to MTNL.

BSNL also requested to surrender its BWA spectrum in its six Licensing Service Areas and same was accepted by the Cabinet and the spectrum charges paid by BSNL are being refunded to BSNL through budgetary resources."

18. The Committee, thereafter, wanted to know to status of Indian Telecom Service (ITS) Officers and their deployment in BSNL and MTNL. In response, the representative of the Ministry of Communications (Department of Telecommunications) informed the Committee that there are serious administrative problems in the deployment of Indian Telecom Service (ITS) Officers in BSNL and MTNL in view of the fact that both the Organisations are Public Sector Undertakings and, therefore, there are promotional avenues for these Officers. Presently, there are 1700 ITS Officers in BSNL/MTNL, whereas, 400 ITS Officers are working in the Department of Telecommunications. As a matter of fact, the ITS Officers who are working in BSNL/MTNL are also unwilling to work due to absence of promotional avenues. The representative of the Ministry further informed the Committee that the entire matter is presently pending before the Supreme Court for final settlement.

Observations/Recommendations

Incessant decrease in market share of BSNL and MTNL

19. The Committee note from the submissions made by the Ministry of Communications (Department of Telecommunications) that the market share of BSNL in 'Wireline' which was 65.54 percent in December, 2013, declined to 62.71 percent and 59.31 percent in December, 2014 and December, 2015 respectively. Similarly, in December, 2013, the market share in 'Wireless' which was 11.66 percent, further dwindled to 10.46 percent and 7.96 percent in December, 2014 and December, 2015 respectively. A drastic fall in the already shrunk market share has also been witnessed in the 'Broadband' services of BSNL, i.e., from 29.96 percent in December, 2013 - to 22.04 percent in December, 2014 and further to 15.67 percent in December, 2015.

20. The Committee also note that the market share of MTNL in 'Wireless' which was 0.58 percent in March, 2013, declined to 0.37 and 0.36 percent in March, 2014 and in March, 2015 respectively. The most significant decline in the market share has also been witnessed in the 'Broadband' services, i.e., from 3.19 percent in December, 2013 to 1.76 percent and further to 1.25 percent in December, 2014 and December, 2015 respectively.

21. The Committee further note that the reasons for continuous decrease in the market share of BSNL and MTNL in the 'Wireline', 'Wireless' and 'Broadband' services had been attributed to; (i) power supply problems; (ii) disruptions due to cable cuts arising out from road development works; (iii) breakdown of cables due to old network of basic services; and cable theft, etc.

22. The Committee have also been given to understand that both the Public Sector Undertakings, viz., the BSNL and the MTNL, have been striving to overcome the problem of frequent power interruptions by operating the generators and keeping the batteries in proper working condition to the extent possible. The 'Field Units' have been given directions for maintaining a close coordination with the Local Bodies/PWDs/Water Authorities and National Highway Authority of India (NHAI) to prevent damage to the cables. The damaged cables are being attended immediately to restore the services to avoid long duration interruptions. In the case of cable thefts, FIRs are lodged with police authorities.

23. Taking into account various significant initiatives now being taken by the Government to recapture the shrinking market share of BSNL and MTNL, the Committee would like to reinforce that during the last decade or more, the Indian Telecommunications scenario has transformed itself into a multi-player, multi-product market with varied market sizes and segments. However, the advantages, these Public Sector Undertakings had in the past, viz., extensive infrastructure in remote areas, their Pan India reach, Huge optical fibre infrastructure, strategic alliances with IT and Hardware Companies, etc., have now been dissipated due to inherent deficiencies of the Management, viz., failure to improve the working culture, inability to optimize the network capabilities, assets being unproductive, poor service image of the Companies, their inability to retain customers, poor marketing, etc. The Committee are, therefore, of the considered view that if the current trend of incessant shrinking of market share of BSNL and MTNL continues, both these entities would soon become commercially non-viable and a burden on the exchequer. The Committee, therefore, strongly recommend that a multi-pronged strategy, viz., one-time infusion of funds with stringent firewalls of accountability, technological

advancement and network improvement, launching of innovative schemes for enhancement of customer satisfaction, improvement in the work culture of these entities, exploring synergies between BSNL and MTNL, etc., should not only be formulated but also implemented in the right earnest. The Committee also recommend that the option of handing over the Management of BSNL and MTNL to those professionals - who have a proven track record of facing a stiff competitive environment coupled with efficient management of finances, equipment, manpower and modern marketing strategies could also be weighed by the Ministry of Communications (Department of Telecommunications). The Committee would like to be apprised of the action taken by the Government on the concerns outlined by them on the issue.

Mounting financial distress of MTNL and BSNL

24. The Committee are unhappy to note that there is a perennial problem of dismal financial performance in both the Public Sector Enterprises. The MTNL and BSNL have been continuously running into losses, except for the fiscal year 2013-14 when MTNL posted a profit of Rs. 7825 crore. Even this one-time profit was not an indication of improved performance, but the result of Government support in the form of a write-back of provisions for pension liabilities and spectrum amortization costs. Though, the Committee are aware that the dismal performance of MTNL and BSNL vis-a-vis other Private Operators, over the years, has been on account of growing competition, decreasing tariffs as a result thereof, significant spectrum-related payouts, high burden on account of employees' remuneration and poor service quality which resulted in a steep decline in subscriber numbers, yet the Committee do not consider these factors as cogent reasons for the existing pitiable condition of these commercial Entities going by a simple logic that the Private Operators in telecommunications have been blossoming in the country. The

Committee, therefore, recommend that the Government should formulate and implement an innovative strategy for systematic revival of MTNL and BSNL. Since the aspect of providing financial support to these entities by the Government has proved to be an apparatus for 'survival' and not 'revival', the Committee are of considered view that *'increase in the subscriber numbers'* and *'improvement in the service quality parameters'* are the determining factors for taking out MTNL and BSNL from the vicious circle of continuous and mounting financial distress. Once the confidence of subscribers is regained by these Entities, the Committee have no doubt that they would be able to exhibit the early signs of revival. The Committee would like to be apprised of the measures taken by the Ministry of Communications (Department of Telecommunications) in this regard.

Possibility of merger of MTNL and BSNL

25. The Committee note that the MTNL and the BSNL have drawn up various ambitious projects to enhance revenue through investments to strengthen their network and focus of customer and service delivery, viz., completion of Phase VII GSM project by expansion of 15 million lines with provision of 3G/2G BTSs, augmentation of GSM mobile network capacity, replacement of legacy Wireline exchanges by the Next Generation Network (NGN) switches, augmentation of Broadband Network for meeting the data growth, launching of Immarsat services, introduction of new frequency plan, optimization of cell level parameters, preventive maintenance to minimize the hardware faults, etc.

26. Notwithstanding the separate initiatives taken by the MTNL and the BSNL for their resurgence in the telecommunication sector, the Committee feel that - with the two entities competing against each other as well as the private sector players - their

value attrition would only accelerate. The Committee are, therefore, of considered opinion that for the long-term survival and success, merger of MTNL and BSNL would be a good proposition - in view of the fact that their merger would give both the entities a chance for competition, against the emerging consolidated private sector players. The Committee also have no inhibition to assert that the synergies and advantages inherent in an integrated national telecom infrastructure would pave the way for lower cost of investment and greater combined ability to face competition. Besides, the merger would also ensure not only better quality of services to the subscribers but also a whole range of telecom and other related services that MTNL and BSNL have presently been offering separately. The Committee, therefore, urge the Government to embark upon the prospects of merger of MTNL and BSNL for which, initially, an Expert Committee could be constituted. Thereafter, further consequential action could be initiated by the Government - based on the findings/recommendations of the said Expert Committee. The Committee would like to be apprised of the action taken by the Government in the matter.
