

THE HINDU Business Line Panel on BSNL submits report

Thomas K. Thomas

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A committee headed by Mr Sam Pitroda, advisor to the Prime Minister, has suggested a 15-point formula to turn around Bharat Sanchar Nigam Ltd, including downsizing it by one lakh employees.

BSNL currently has over three lakh workers and is one of the largest employers in the country along with the Railways.

"BSNL needs to improve organisation performance and employee productivity substantially. Retire or transfer around 100,000 employees through best possible processes such as voluntary retirement scheme (VRS)," stated the committee in its report.

The state-run telecom company has more than ten times the employee base of private operators. For example, Bharti Airtel, which has over 122 million subscribers across the country, has just about 25,000 employees to manage the operations. In the mobile segment, Bharti has 10,500 customers per employee.

In contrast, BSNL has 65 million wireless subscribers and 27.9 million fixed-line users for which it has three lakh employees. Its customer-to-employee ratio is at 350.

The Pitroda panel has suggested that the Government should divest 30 per cent stake in BSNL to an Indian strategic investor or through an Initial Public Offering and a larger part of the income from the equity sale should be utilised for employee VRS, expansion and operation.

Outsourcing model

The PSU has been told to adopt an outsourcing model through managed services for its operations relating to call centre, IT and network. Private operators, including Bharti and Vodafone, have been able to lower their manpower requirement through such outsourced deals.

The committee was set up by the Prime Minister in January in a bid to revive the struggling PSU. "This 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 bottleneck especially related to purchase of equipment, bureaucratic and government dependent decision-making," the committee concluded.

Management changes

The panel said that an eminent person from the private sector should be appointed Chairman, supported by best professionals selected from the market at market rates. "Separate the post of the Managing Director/Chief Executive Officer (from that of the Chairman). Change the board composition to seven directors and allow the Ministry to interact only through the board, and not through day-to-day decision making," the panel stated.

On restructuring the business, the committee has suggested that four independent business units for fixed-line, mobility, enterprise and new business should be set up. In addition, the tower infrastructure should be spun off into a new subsidiary to unlock the value through a strategic sale or separate IPO.

The panel has proposed a separate subsidiary to hold undeveloped land bank (estimated at over 2.5 million sq.m. in seven key cities). To address the delays in buying network equipment, the panel has suggested that BSNL should start using tools such as e-procurement, vendor rating and running contracts.

But implementing these proposals could be a tough task for the Government, with the employees union sure to oppose any move to downsize or an IPO.