MEMO FOR CONSIDERATION OF BSNL BOARD
BHARAT SANCHAR NIGAM LIMITED
(A Govt. of India Enterprise)

(Corporate Planning & Monitoring Cell)
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No. CP&M/1-256/BRPSE/Revival Plan /2012-13/Vol-III   Dated: 10th February 2015.

Subject: Recommendations of Management Committee of BSNL Board on Consultant's recommendation on Revival & HR Plan of BSNL

1. **Background**

   1.1. BRPSE in its review meeting held on 29.11.2012 has desired that BSNL should formulate the revival plan proposal in a methodological and professional manner, for sustainable revival of the company. In their 145th meeting held on 7th December 2012 the Board of Directors of BSNL had decided to engage a Consultant for the purpose so as to submit the report proposal within time.

   1.2. 161st meeting of Management Committee held on 13-03-2013 wherein MC decided that quotes from top 10 Consultant may be obtained for selecting the Consultant to prepare the revival plan of BSNL for submission to BRPSE. Accordingly a limited tender was floated on 10.07.2013 to engage a Consultant for preparing the revival plan of BSNL

   1.3. After the completion of tendering process, M/s Deloitte Touché Tohmatsu India Private Limited was awarded the work of "Comprehensive review of BSNL and preparing the revival plan of BSNL" vide the vide work order no. IT/WO/011/2013-14 dated 13.12.2013.

2. **Action taken by M/s Deloitte & submission of Report**

   2.1 M/s Deloitte had its kickoff meeting with the CP&M cell of BSNL on 19.12.2013 for the commencement of work. During the meeting, Consultant explained its detailed work plan with broad timelines and submitted an information requirements list (IRL) of 78 items+ additional 13 items for their study.

   2.2 Deloitte conducted several meetings in BSNL with CMD, Function Directors, EDs and Business Unit Heads at BSNL in December, 2013 and early January, 2014 to get their perspective toward the project.

   2.3 M/s Deloitte officials also had interactive meeting with BSNL officers in BSNL Head Quarters, some Circles and some SSAs/Districts to collect the data and study the working of BSNL.

   2.4 M/s Deloitte has submitted the interim report and also gave presentation before the Management Committee of the BSNL Board during the 197th & 198th meeting held on 30.04.2014 & 07.05.2014 respectively. The report was circulated to all concerned units for comments/ feedback. M/s Deloitte has

submitted the interim report on 12.05.2014 after incorporating the response on comments/feedback of Units.

2.5   M/s Deloitte submitted the "draft" final report and gave presentation before the Management Committee and concerned Unit Heads on 24-06-2014.

2.6   M/s Deloitte has finally submitted the final report on 10-7-2014 incorporating the response to comments of Business Units, which has been circulated to all concerned on 15-07-2014 for their study/use.

2.7   Based on a Final report on "Comprehensive review of BSNL and preparing the revival plan of BSNL", M/s Deloitte gave presentation before the Management Committee on 01-08-2014.

2.8   Management Committee has decided that aforesaid final report on "Comprehensive Review of BSNL and preparing the revival plan of BSNL may be put up to the BSNL Board along with the presentation by M/s Deloitte which should have emphasis on "HR Plan & Organisation Restructuring of BSNL" in the forth coming Board meeting for approval of the Board of Directors of BSNL Board.

2.9   Accordingly , M/s Deloitte gave presentation before the BSNL Board in its 157th meeting held on 29.08.2014.the Board took the note on the same .While taking the note ,BSNL Board desired that consultant should take into consideration the following :

   I.   The report should be without the assumption of 50% salary support from Govt.
   II.   Report should also provide for the appropriate IT system for monitoring mechanism and
   III. Detailed analysis of cost of outsourcing the operation and maintenance vis.a.vis   O&M by own employee or outsourcing O&M while keeping the in-house manpower idle.

2.10   Board approved the proposal with aforesaid modification. The Board further desired that after incorporation of the aforesaid modification, a presentation on the report be made before the Management Committee and also before the Govt Directors.

2.11   Deloitte has incorporated aforesaid modifications as an addendum in the Final report and submitted to BSNL on 22.09.2014. The copy of Final report is already circulated to all Directors of BSNL Board as well as the members of Management Committee of BSNL Board.

2.12   Management Committee after some discussion in its 220th meeting held on 12.11.2014 directed that "Addendum along with Final report be submitted to Govt. Directors, and day date and venue for making presentation by the consultant be finalised after ascertaining the Government Director's convenience.

2.13   In this regard a letter from ED (CA) addressed to Special Secretary on 20-11-2014 furnished two copies of final report along with Addendum submitted by consultant for indicating the convenient date   time and venue for the presentation by the consultant.

2.14   In the mean time, during the MC held on 05-12-2014 and 17-12-2014 wherein CMD, BSNL reiterated that all the concerned unit officers are

requested to send their comments and feedback on the Final Report plus Addendum of the Deloitte report.

2.15 Based on that a meeting held on 19-12-2014 under the chairmanship of ED (CA) with Unit verticals wherein the executive summary of the Deloitte report has been discussed.

2.16 Management committee ,in its 225th meeting held on 23.12.2014, had detailed deliberation on the recommendation of consultant &feedback of BUs and directed that CP&M cell shall submit a detailed note before management committee recommendation of the consultant along with the feedback of respective Vertical and view of the CP&M cell on implementability of each recommendations.

2.17 Accordingly, the recommendation of the consultant along with the feedback of respective Vertical and view of the CP&M cell on implementability of each recommendation has been furnished before the 228th Management committee Meeting held on 14-01-2015.

2.18 During the meeting the committee has deliberated in detail and recommended for consideration and approval of the board with the modification that the note for consideration of the board of Directors clearly elaborating

- The Recommendations of the consultant on Revival Plan
- The recommendations which the management committee had agreed to implement; and
- The recommendations which the Management Committee did not find feasible for implementation along with the reasons.

Similarly, on HR plan
- The Recommendations of the consultant on Revival Plan
- The recommendations which the management committee had agreed to implement; and
- The recommendations which the Management Committee did not find feasible for implementation along with the reasons.

2.19 Accordingly the point wise recommendations of the consultant along with the MC recommendations has been prepared and placed at Annexure for deliberation and discussion for the forthcoming meeting of BSNL Board

Approval Sought for:

BSNL Board is requested to deliberate on recommendation of Management committee vis-a-vis the recommendations of the consultant. Once the proposal is approved by the BSNL Board, the same will be furnished to DOT for its consideration and further approval please.

Encl.: Annexure

This Board note is submitted with the approval of CMD, BSNL

(Arvind Bajaj)
GM (CP&M)

. The point wise MC recommendations are as under:-

A. Recommendations of MC on Consumer Fixed Access

Strengthen Sales and Marketing	
Deloitte	1. Launch a pan-India outreach drive to cross sell broadband to existing wire line subscribers. 2. Launch special campaigns to reach out to churned customers (who disconnected X months prior, e.g. customers who disconnected before December 2013) and lure them with attractive discounts). 3. Launch awareness campaigns to educate customers about the benefits of broadband.
Management Committee	*MC agrees with the recommendations of the consultant and the same will be implemented in field units*

Improve lead generation and channel management	
Deloitte	4. Institutionalize a lead management system which enables pro-active lead generation from multiple sources and lead tracking till closure.
Management Committee	*BSNL has implemented the commendations*
Deloitte	5. Extend support to CFA franchisees in the form of salary support to build FoS team. Implement on pilot basis, measure results and incorporate learning to expand to pan-India.
Management Committee	*MC does not agree with the recommendations as it is not feasible to provide salary support to CFA franchisees to build FOS*
Deloitte	6. Implement a business intelligence tool to regularly identify customers with high churn propensity and approach them with attractive offers/incentives.
Management Committee	*MC agrees with the recommendations of the consultant and the san will be implemented in field units*

Introduce product bundling and use innovative pricing.	
Deloitte	7. Explore product bundling i.e. offering wire line bundled with high growth services such as GSM, 3G and broadband services with attractive subscription and usage based price incentives. Bundles can be rolled out in select circles on pilot basis, results of which can be measured to identify key learning for replication.
Management Committee	*MC agrees with the recommendations of the consultant and bundling wireline services with GSM 3G with techno commercial feasibility.*

Deloitte	8. Induce customers to increase wireline usage through compelling pricing e.g. telescopic pricing where unit price decreases as usage increases. This can be implemented in select circles and learning from pilot can be replicated in other circles.
Management Committee	MC does not agree on this recommendation as there is a possibility that the revenue received from high users will decrease while the lower users may not increase the users just because there is a telescopic pricing received. However, BSNL will examine the above proposal on certain commitment of revenue per month

Improve network QoS

Deloitte	9. Run 2 pilots for wireline network O&M, one being an internal unit (in-house) and the other being outsourced to a third party – Based on the experience and results of the above pilots, define the future roadmap for wireline network O&M of BSNL.
Management Committee	*MC finds the commendations of the consultant in line with the requirement in the field. As per the skill set of employers in the field in certain areas does not match with the requirements in the field for handling the technical as well as customer interface/CRM activities. However MC is of the view that the implementation of it should be in phased manner after the positive results of the pilot.*

Improve Customer care QoS

Deloitte	10. Outsource call centres in order to improve complaint/query resolution and quality of service. Empower with remote diagnostic tools, SoPs to extend online help & resolution, well-integrated IT capabilities. Implement well-defined key performance indicators and a robust governance model.
Management Committee	*Already implemented in BSNL*

B. Recommendations of MC on Consumer Mobility

Deloitte	**Strengthen Sales, Marketing and Distribution** 1. Implement a well thought through S&M strategy at the circle level with adequate support from the corporate team. Comparison with competition suggests significant headroom for increasing S&M spend 2. Strengthen the franchisee-retailer relationship (e.g. Provide salary support to franchisee to build FoS team). Implement on pilot basis, measure results and incorporate 3. Pro actively identify customers with high churn propensity leveraging business intelligence tools, subsequently approach identified customers with appropriate offerings 4. Institutionalize process to regularly review commission structure for the channel partners. Comparison with competition indicates

	an immediate opportunity to rationalize the commission structure
	Increase ARPU
	5. Drive data usage through effective content partnerships, targeted campaigns and compelling pricing
	6. Institutionalize processes to regularly track tariffs of competition across circles and minimize reaction time in market. As voice ARPM goes up (estimated to go up 2.8% y-o-y), BSNL can either maintain the same absolute difference with industry leader or even reduce the difference over time
	Improve Network RoI
	7. Institutionalize processes to re-deploy network elements across BTSes on a regular basis, based on capacity utilization analysis
	8. Consider BTSes/ Cluster of BTSes as P&L centers and segment BTSes based on capacity utilization/profitability
	• For low utilization BTSes: Introduce higher retailer commissions and discriminatory MNP commissions to drive usage
	• For high utilization BTSes: Increase capacity by AMR adjustment; sustained high utilization indicates need for network redeployment/ capex investment
	Improve Network QoS
	9. Form an internal network O&M team accountable for maintaining network, with pre-defined SLAs. Prioritize circles/SSAs where this internal team would conduct network O&M on pilot bais. Once the operations attain stability, consider 'Network Outsourcing'
	Improve customer care QoS
	10. Improve customer care QoS by outsourcing call center operations to a third party, with well-defined KPIs/ SLAs, governance model and IT capabilities integrated with BSNL IT Systems
Management Committee	*MC agrees all the recommendations of the consultant except FOS, as it is not feasible to provide salary support to franchisees to build FOS*
Deloitte	**Explore Wi-Fi hotspots** 11. Foster discussions with leading telcos to develop a Wi-Fi hotspot ecosystem for offloading their 3G/4G data on the Wi-Fi networks
Management Committee	*MC agrees with the recommendations of the consultant, however rollout of Wi-fi Network in BSNL already started without Data-off loading. In future this will also be implemented.*
Deloitte	<u>Exit or partner</u> 12. Consider exiting CDMA operations, after evaluating the feasibility and cost of migrating CDMA customers to GSM However, if decision is taken to continue with CDMA, a partnership with Telewings can be explored, wherein partner can offer EVDO services on BSNL's CDMA network
Management Committee	*MC agrees with the recommendations of the consultant and it will explore commercial agreement to prospective partner through EOI subject to regulatory in DoT guidelines. The committee constituted has already working in these aspects. BSNL has sent the Proposal of surrendering EVDO services in 12 circles to DOT. BSNL has*

	commended for retaining 2 carriers in 14 circles and to retain one carrier in 6 circles and to surrender both carrier in 6 circles.
Deloitte	**WiMAX :Exit or centralize** 13.Consider returning WiMax spectrum in the remaining 14 circles as well, based on feasibility and cost of migrating existing WiMAX customers However, if decision is taken to continue with WiMAX, BSNL should consider centralizing operations to few circles
Management Committee	*MC does not agree to surrender the spectrum in remaining 14 LSAs. However, as suggested by the consultant, network reorganization i.e., discontinuation of services in some select circles and shifting equipment to balance circles will be examined.*

C. Recommendations of MC on Enterprise

Increase reach	
Deloitte	1. Develop an indirect channel ecosystem to increase reach, especially among gold and silver enterprise accounts. Implement pilot in select zone, measure results and replicate.
Management Committee	*MC agrees with the recommendations of the consultant and the same will be implemented.*
Increase share of wallet	
Deloitte	2.Increase share of wallet from existing platinum and gold customers via cross selling and offering bundled products and services
Management Committee	*MC agrees with the recommendations of the consultant and the same will be implemented.*
Implement process enablers	
Deloitte	3. Implement a centralized billing platform to bill enterprises for various services via a single bill 4. Install an IT system to centrally track revenues accrued from various enterprises 5. Ensure multiple PBX vendors are empanelled to expedite procurement and support PRI sales process
Management Committee	*MC agrees with the recommendations of the consultant and the same will be implemented.*
Explore M2M	
Deloitte	6. Develop a Machine to Machine (M2M) task force to define action plans to keep the organization well prepared and aware to capitalize on the M2M opportunity.
Management Committee	*MC agrees with the recommendations of the consultant and the same will be implemented.*

Monetize land, quarters and vacant space

Deloitte	1. Monetize by leasing out the available vacant space; Pilot project for 10 sites has been undertaken by BSNL, and is already underway
Management Committee	MC agrees with the recommendations of the consultant and already proposal for commercial exploitation of 7 lands (3 in Mumbai2 in Noida 1 in Chennai and 1 in Trivandrum)out of 10 lands was sent to DoT for approval. The final decision from DOT is awaited. Correspondence was made with JS(T) with copy to DDG(FEB), DoT on 21-11-2014

Centralize factories or close down

Deloitte	2. Consider centralization of the factories to 1-2 locations and monetize the excess land bank. If centralization is not feasible, consider closing all factories and monetizing the land bank
Management Committee	MC does not agree with the recommendations because of legal and HR issues related to factories and monetization of land. However BSNL board has approved business model for utilisation of spare infrastructure of Telecom Factories by suitable partner through RFP.

Monetize passive infrastructure

Deloitte	3. Hive off passive infrastructure business: Expected to increase tenancies and reduce expenses
Management Committee	MC agrees with the recommendations of the consultant and the same will be implemented.

Inventory

Deloitte	4. Identify reasons for high inventory at BSNL and take corrective action. The high inventory on BSNL's balance sheet could be due to: (a) Only legacy and/or (b) Additional inventory as part of regular process
Management Committee	MC agrees with the recommendations of the consult and will work to reduce high inventory considering the operational requirement lying in the field

D. Recommendations of MC on Human Resource

Deloitte	**Restructure the SSA (below circle setup)** 1. Re-structure the below circle setup into a leaner sales oriented setup: • Merge or consolidate SSAs into area offices to drive efficiencies • Rename SSAs to Area Offices • Centralize activities such as transmission, planning, HR, and Finance to circle office, while the Area office has the following functions: CFA, CM sales set-up, O&M monitoring of outsourced agencies, Customer service delivery, required for seamless delivery of services to the customer
Management Committee	*MC agrees with the recommendations of the consultant. Consolidation of small SSAs into Areas and redefining of business process is already under implementation in four circles viz. UP(E), UP(W), MP, Chhattisgarh..*
Deloitte	**Acquire critical skills in the areas of sales, marketing, customer service delivery, and IT** 2. BSNL to acquire the critical skills through recruitment of candidates with sales/marketing experience in Telecom/FMCG • The additional skill acquisition to be through a mix of on-roll and off-roll staff, with the off-roll staff forming bulk of manpower
Management Committee	*MC agrees with the recommendations of the consultant*
Deloitte	3. Consider executive levels from JTO till AGM as an operational band and provide career progression without vacancy consideration up to the level of AGM
Management Committee	*AGM level to be kept distinct to meet organizational need for appropriate supervision & monitoring at AGM DE level, JTO and SDE levels to be in the same cluster.*
Deloitte	4. Take management trainees at one level above the entry level and provide clarity in the career path
Management Committee	*Existing recruitment rules for MT already provide for induction at Sr. SDE level and clarity in the career path.*
Deloitte	**Achieve efficiencies at non- territorial circles** 5. Continue with separate maintenance regions till O&M is in-house. If O&M is outsourced, the territorial circles to monitor outsourced agencies
Management Committee	*MC partially agrees with the recommendations of the consultant as existence of Mtce regions will be required .O&M of Transmission centres /core network, equipment will have to be continue to be manned by regions. O&M of Network Monitoring Centre (NMC)/NMS/NOC may be partially outsourced while certain O&M activities such as SLA based maintenance of long distance OFC may be outsourced in phased manner.*

Deloitte	6. Regional projects setup to work on flexible deployment as per the requirement of the project. Project manpower to be defined basis internal benchmarks. The activities of north east task force to be managed by eastern region project circle
Management Committee	*MC agrees with the flexible deployment as the requirement of projects. MC does not agree with the recommendations of the consultant, because BSNL is executing large no of government funded and internal projects. NETF need to be retained due to geographical areas of North East Region.*
Deloitte	7. Merge Quality assurance and inspections circles
Management Committee	*MC does not agree with the recommendations of the consultant, as BSNL is procuring materials/equipments itself and also executing government/internal projects. These two units' functions are required.*
Deloitte	8. Continue Technical training centres as-is and evolve them as centres of excellence and profit centres. Finance / managerial training centre may be merged with technical centres
Management Committee	*MC agrees with the recommendations of the consultant,.*
Deloitte	9. Task based circles such as NCES, BR NW to be discontinued as and when task is completed
Management Committee	*MC does agree with the recommendations of the consultant. NCES is already re-designated as National Centre for NGN (NCNGN) Circle. Both NCNGN & BBNW are specialised circles and they are required to handle specialized functional at core/central level.*
Deloitte	10. Telecom factories' manpower to be carried as supernumerary till retirement
Management Committee	*MC agrees with the recommendations of the consultant.*
Deloitte	11. Activities of central telecom stores (CTS) to be managed by WB Circle
Management Committee	*MC agrees with the recommendations of the consultant.*
Deloitte	Manpower Assessment and Norms. 12. O&M manpower at ITPC and Mobile Zonal centres to be as per market practice. 13. Corporate manpower as per the market practices / norms 9. BSNL needs to adopt manpower norms as per market practices for redefining their manpower requirement • Manpower at territorial circles to be estimated basis positional norms for structure and operational norms adopted from the market or internal benchmarking (wherever applicable) • Manpower at non-territorial circles to be aligned with business objectives such as O&M outsourcing and monetization of telecom factories

Management Committee	*The manpower assessment in the current scenarios (i.e. with most of the O&M in-house and ERP not fully implemented)has been examined in detail. Detailed proposal in this regard will be submitted to the Board. The consultant has given staffing norms at very macro level. These will have to be detailed to ensure appropriate staffing for different roles in field units.*
Deloitte	**4. Obtain salary support from government for financial revival** 10. Seek Government support for 50% of salary of the identified excess manpower post assessment based on market norms and/or internal benchmarking
Management Committee	*MC agrees with the recommendations of the consultant*
Deloitte	**5. Need for establishing a performance oriented culture and rewards scheme** 11. BSNL should introduce a Performance Management System to drive employees to achieve their KPIs • Leading PSUs such as NTPC, IOCL, GAIL, ONGC have established a strong PMS for assessing departmental and individual performance and has established linkage between performance and rewards (monetary or non-monetary) • Include assessment of potential /competencies as a key parameter in the re-designed PMS.
Management Committee	*MC agrees with the recommendations of the consultant. PMS at Group level and individual level under implementation.*