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No. AIBSNLOA/CHQ/2013/120

Dated: 7<sup>th</sup> June , 2013

To

Shri P.Chidambaram,  
Chairman,  
Group of Ministers on  
Revival Strategy for BSNL & MTNL,  
New Delhi

**Subject: Group Of Ministers looking into revival strategy for BSNL & MTNL – some important issues to be considered – reg**

Respected Sir,

We are happy to learn that a Group of Ministers under your Chairmanship will be looking into revival strategy for BSNL & MTNL. It is learnt that the Department of Telecommunications has submitted its proposal for revival, which includes refund of BWA spectrum charges surrendered by BSNL among others. In this regard, we would request the GoM to consider the following important issues in addition to those submitted by DOT also during the deliberations.

2. Highlighting these issues should not be seen as seeking any favour from the Government for improving BSNL's finance. It is the responsibility of the Government to ensure that BSNL is duly compensated and protected as BSNL alone implements the social obligations of the Government of India and only because of BSNL's presence in the arena, the private operators are providing the customers with the telecom services at affordable rates.

**I. MoU between DoT and BSNL:**

The Memorandum of Understanding between DoT and BSNL for the year 2012-13 pinpoints the Government's commitment towards the followings. These commitments were available in the MoU for the year 2011-12 also but have remained so far only in the paper. At least, now the Government should endeavor to implement the commitments made in their letter and spirit:

i. Re-imbursement of deficit on account of commercially non-viable services:

a. Rural Wireline

ii. Refund of upfront BWA spectrum License fee.

iii. Center/State governments and PSUs should give priority to BSNL for their telecom service requirement.



iv. Pension Contribution is collected on the maximum of the scale in IDA instead of on actual pay drawn which is contrary to the procedure followed in respect of CDA scales.

v. Funding Support for VRS

vi. No levy of charges towards additional spectrum, as recommended by TRAI.

## **II. AUTONOMY IN DECISION MAKING:**

One of the key issues for dismal performance of any PSU in changing their business effectively has been lack of needed autonomy, which in turn has led to not being able to put in place an effective accountability mechanism. For, accountability will be meaningful only when the respective domains of the Government (DoT) and BSNL are clearly defined and sufficient powers are provided to be exercised by BSNL.

## **III. Payment of electricity charges by BSNL under Industrial tariff instead of commercial tariff:**

At present BSNL is being charged under Commercial tariff by various State Electricity Boards for consumption of electricity, except in respect of a few circles. It is pertinent to mention here that throughout the country, the rates under the commercial tariff pattern are much higher than the industrial tariff. A rough calculation worked out a few years back in Trichy SSA showed that there will be 50% savings if we are charged under Industrial Tariff pattern. Prolonged negotiations with the Tamilnadu Electricity Regulatory Commission are reported to have ended without any fruitful results. Our claim for change over to Industrial tariff is based on strong reasons:

1. **The Finance Act 2002 of Union of India w.e.f., 1.4.2003** [under sub clause "(iii a) below item No.(iii) clause (aa) of section 72A sub section (7)] states that 'the business of providing Telecommunication Service, whether basic or cellular, including radio paging, domestic satellite services, network trunking, broadband network and Internet Services' comes within the ambit of Industrial Undertakings.
2. The Govt. of Tamilnadu Information Technology Policy 2002 defines Private Communications Providers (PCP). Internet Service Providers, Basic service providers under IT companies states that Government will provide low tension units as per LT tariff III-C (now III-B) and the high tension tariff 1-a to IT industries and also ensure quality power as required by the industry. It clearly states that for the purpose of power tariff, IT industries will be treated as industrial and not commercial consumers and electricity tariff as applicable to industry consumers will be charged.
3. The Supreme Court has also upheld that the Dept. of Telecommunication Services and Dept. of Telecom Operations are **"Industries" under Industrial Disputes Act.**
4. Telecommunication is the backbone of the IT industries as all the data required for this industry is transmitted through the telecommunication network. Convergence bill proposes to bring IT sectors and the Telecommunication sector under the Convergence Commission of India. The BSNL and the information Technology Industry are in the same Ministry i.e., Ministry of Telecommunications and information Technology.

The reluctance of Tamilnadu Electricity Regulatory Commission to agree to the request for change over to Industrial tariff pattern appeared to be on the grounds that any such decision has to be taken by the Central Electricity Regulatory Commission at New Delhi. The issue was taken up with BSNL by this Association and BSNL issued instructions to the



Circle Heads reiterating that the tariff structure of each circle may be studied in consultation with PCES/Sr.CEs/CEs (Elect) and if any other suitable and economical tariff is available, the case may be taken up with the State Electricity Regulatory Commission for modification of the existing tariff structure. We learn that a few circles have taken action along these lines and have got the tariff structure modified to BSNL's benefit. But in most circles no tangible action appears to have been taken.

Next to staff salary, expenditure towards electricity and fuel is the highest on the list of BSNL's finance statement. Therefore we request that the GoM may make recommendations so as to ensure that BSNL is charged only under industrial tariff.

#### **IV. PAYMENT OF SERVICE TAX:**

BSNL is now paying service tax on the amount for which bills have been raised. It is a known fact that all the bills raised do not end in realization of the amount billed. Thus BSNL has to pay more than the service tax it collects from its customers. Hence it should be ensured that BSNL pays service tax only on the amount realized through bills.

With kind regards,

Yours sincerely,

  
(Rakesh Sethi) 6/13

General Secretary

- Copy to: 1. ShriKapilSibal,  
Hon'ble Minister of Communications & IT & Law  
2. ShriAnandsharma,  
Hon'ble Minister of Commerce & Industry  
3. Shri Manish Tewari,  
Hon'ble Minister of Information & Broadcasting  
4. ShriMontek Singh Ahluwalia,  
Deputy Chairman of Planning Commission  
5. ShriV.Narayanasamy,  
Hon'ble Minister of State in PMO  
6. ShriM.F.Farooqui,  
Secretary, DoT  
7. ShriR.K.Upadhyay,  
CMD, BSNL