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No. AIBSNLOA/CHQ/2014/32

Dated: 2<sup>nd</sup> May 2014

To

Shri Neeraj Verma,  
General Manager (SR),  
BSNL Corporate Office,  
New Delhi.

**Subject: Protest against the proposed 'Subsidiary Tower Company' – regarding**

Sir,

This is with reference to the presentation made, in your presence, by GM (Infra) on 21<sup>st</sup> April, 2014 to all unions and associations on 'Project Unnati', proposing that **'all tower business related assets, liabilities and operations be transferred to a subsidiary owned by BSNL.'** It was also stated that, **"Post subsidiarisation, BSNL will have the option of inducting a strategic partner to the towers business in order to raise funds, fuel business growth and to improve performance."**

2. Representatives of all the unions and associations present in the meeting voiced their protest that BSNL has not taken them into confidence before a decision was taken and saw the proposal for separate tower company as an indirect way of disinvestment in the name of strategic partnership.

3. Almost a year back, AIBSNLOA vide its letter dated 5.2.2013 (copy enclosed) had sought review of the tower sharing concept and introduction of safeguards on the background of **reports that the outstanding dues from leased out towers were nearly 30 crores rupees and that the collection efficiency of many circles was not upto the mark.** We had also voiced our concern that **tower sharing enables new entrants to scale-up faster, but it exposes established players to the risk of market share loss. Furthermore, the challenges of monitoring network performance and quality will increase as control over network roll out and equipment maintenance decreases.**

4. We had also mentioned that **"Another area of concern is leasing out towers where BSNL is the sole operator due to the cost and labour required in erecting towers in difficult terrains and hilly areas. Leasing out such towers can never be a wise decision."** We had also opined that **"it is high time that BSNL institutes a study by collecting data on the revenue earned by BSNL before sharing the tower and its revenue after leasing out the tower and calculating the resultant gain or loss in revenue in each of the shared tower."**

5. It may be seen that our concern highlighted in Para 3 above is nothing but a reproduction of the text appearing in 'Infrastructure sharing Brochure' published by KPMG (the same consultant engaged by BSNL to advise it on monetization of its tower assets) in its official website. The brochure concludes with the averment that **"In some markets, where the incumbent sees no competitive advantage in tower sharing, the other operators may need to proactively lobby the regulator so as to help bring the incumbent to the negotiating table."**

6. The same brochure by KPMG, while discussing "Telecom Tower Industry in India", says that, "The need for monetisation of assets, focus on customer acquisition and efficient Capex utilisation lured operators to hive off their tower assets to other entities in order to secure the advantages of infrastructure sharing." It goes on to add that "A few operators then began a carve-out process, **setting up separate divisions that controlled their tower assets.** This allowed operators to value their tower assets in isolation and either bring in financial investors or sell their assets to independent tower companies. The effectiveness of these steps in releasing funds for further network rollout and reduction in operating cost without affecting subscriber acquisition, forced remaining operators to follow the first movers."

7. BSNL's presentation on 'Project Unnati' says that **"Because BSNL (a PSU) will hold majority stake in the JV, the business will be governed by rules and guidelines applicable for PSUs."** But we cannot forget what happened to VSNL with majority stake with the Government.

8. The presentation says, "For employees transferred / deputed to Tower JV, same PSU guidelines for salary and retirements will be applicable." But it has been widely reported in the media that "The Ministry of Personnel, Public Grievance & Pension has raised concerns against Government move to hive off Bharat Sanchar Nigam Ltd's tower assets into a new subsidiary. **The Ministry has asked the Department of Telecom to clarify how the interest of the employees will be protected particularly those related to pension payments.**"

9. "Who will pay the pension to the absorbed employees of BSNL if they get absorbed in the new company? The terms and conditions of deputation to the existing employees of BSNL will therefore need to be clarified," stated a note from the Ministry of Personnel, Public Grievance & Pension. **"DoT officials said the concerns raised by the Ministry will be addressed by constituting a group to work out details on capital structure and organisational structure. An officer not below the rank of Joint Secretary from the Department of Pension and Pensioners Welfare can be included as a member of this group to oversee the HR transition process for the new proposed tower company,"** says the media report. **The presentation by BSNL on "Project Unnati" does not say anything about constitution of such a group.**


10. On the whole, the Project Unnati is nothing but a hurried decision by DoT/BSNL to sell out BSNL in parts, which cannot be allowed on any circumstances. Any further move in this direction will amount to hara-kiri for BSNL and will be resisted strongly by all unions and associations in BSNL.

11. **If at all, BSNL wants to earn revenue from its tower assets, let it create a separate business vertical – as in the case of CM, CFA and ENT – with an Executive Director at the helm of it,** with separate units in circles and SSAs and taking care to ensure that BSNL does not loose revenue by sharing its towers where it has monopoly, like hill stations and difficult terrains and putting in place a system to ensure 100% collection from the leased out towers.

12. We therefore request you to kindly convey, as assured by you in the meeting, our total and complete opposition to the proposal to the higher level Management and to initiate discussions on forming separate business vertical for tower sharing.

With kind regards,

Yours sincerely,

  
2/5/14  
(Rakesh Sethi)

General Secretary

Encl: As stated

- Copy to :
1. Shri M.F.Farooqui,  
Secretary, DoT.
  2. Shri R.K.Upadhyay,  
CMD, BSNL
  3. Shri A N Rai,  
Director (HR), BSNL
  4. Shri N. K. Gupta,  
Director (CFA), BSNL
  5. Shri Anupam Srivastava,  
Director (CM), BSNL