

## **DoT rejects Pitroda panel suggestions on BSNL**

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NEW DELHI: A government panel has rejected some key recommendations of the Sam Pitroda committee set up by the prime minister to suggest a turnaround strategy for loss-making BSNL, saying drastic changes in a state-owned company could impact the running of all public sector units.

This four-member department of telecom panel has rejected the Pitroda committee recommendation that BSNL sell a 30% stake by listing on the bourses, and said that the IPO must be 'deferred for two years to allow the telco to improve its performance and get the right valuation'

It has also rejected the Pitroda's committee's proposal to allow BSNL to bring in top professionals, including a CEO from the private sector, and said that 'implementing such a move selectively for top-level positions, and also in just one PSU would have wider repercussions'.

Earlier this year, Prime Minister Manmohan Singh, worried about the steep decline in BSNL's profitability over the years, called in Sam Pitroda along with banker Deepak Parekh to suggest measures for revival. They in turn recommended a strategic 30% stake sale, staff cut by 100,000 and also raising funds from sale of its infrastructure, such as signal towers and real estate, to revive the flagging fortunes of state-owned BSNL.

BSNL has been deteriorating in financial performance over the years as it could not expand in time. It could not compete with the nimble-footed private mobile phone firms which were taking decisions quickly. The state-owned telco's performance has been touching new lows every year since 2007. It posted a loss of Rs 1,822.65 crore for the year to end-March, a first in the company's history. Losses are set to mount this fiscal, indicating that the performance turnaround the PMO is waiting for is unlikely in the immediate future.

The DoT panel also added that while it agreed with the Pitroda committee that BSNL must urgently reduce excess employee headcount, the required staff cut may be less than 100,000. This panel has also partially agreed with Mr Pitroda committee's recommendations that BSNL share its infrastructure with private companies to improve its revenue streams, launch a venture fund with its Rs 30,000-crore cash surplus and also hive its land bank into a separate company and monetise it.

This DoT panel has rejected the recommendation that BSNL split the cost of its chairman and managing director (CMD) into two—a chairman and an MD—and said that in a 'PSU environment, it was better to continue with the post of CMD like in other PSUs'. However, the panel, agreeing with the Pitroda committee, has said that BSNL must complete its ongoing restructuring by March 2011.

Importantly, this panel has also accepted the Pitroda committee's proposal that BSNL dump its equipment procurement process and adopt the 'managed capacity' model followed by private operators.