

OVERVIEW

This Audit report for the year 2005-06 contains the results of Performance Audit of the “cellular mobile telephone services” and “Functioning of telecom factories” in Bharat Sanchar Nigam Limited (BSNL) and of “Billing and Customer Care System” in Mahanagar Telephone Nigam Limited (MTNL).

Cellular Mobile Telephone Services in BSNL

Cellular mobile telephone services (CMTS) in BSNL is based on the Global System for Mobile communication (GSM) Technology. Though the erstwhile Department of Telecom Services (DTS) of the Department of Telecommunications (DoT) was given a licence in February 2000 for operation of CMTS in the country, BSNL could commence countrywide large-scale rollout of post-paid (CellOne) and pre-paid (Excel) CMTS only in October 2002.

CMTS systems for 297 lakh lines at a cost of Rs 10,759 crore were procured by BSNL under phases-I to IV of its ‘India Mobile Personal Communication Services’ (IMPCS) project. BSNL installed systems having equipped capacity of 194 lakh lines up to March 2006 and the capacity utilisation as of March 2006 was 89 *per cent*. BSNL Board initially approved (January 2005) a major expansion of CMTS by 641 lakh lines under phase-V of the IMPCS project. The process of selection of suppliers had still not been completed as of September 2006 though the project was to be completed by December 2007.

Since the commencement of CMTS, a total of 72 lakh connections had been closed due to surrender by the customers or disconnections by BSNL due to non-payment of dues by the customers. 20 lakh connections were closed in just four months. As of March 2006, BSNL’s share in the country’s total CMTS customer base of 692 lakh customers was 25 *per cent*.

BSNL suffered financial losses due to inadequate customer care and deficiencies in billing and collection of revenue. Besides, the deficiencies in planning, creation of infrastructure, procurement, installation and commissioning of systems and network coverage, delays in rectification of faults during AMC and warranty were also noticed. BSNL also could not achieve the quality of service benchmarks prescribed by TRAI, which had adversely affected the customer base.

BSNL, in order to become the leader in providing CMTS, not only needs to strengthen and improve its planning and procurement procedures but also the systems for customer care, billing and collection of revenue. The quality of service needs further improvement through better network coverage and customer care to achieve the benchmarks prescribed by TRAI.

(Chapter-I)

Functioning of Telecom Factories in BSNL

The telecom factories are in-house manufacturing units of BSNL for supply of various line stores, cable accessories, coin box telephones, exchange equipment, towers etc. There are seven telecom factories at Alipore, Gopalpur, Kharagpur, Mumbai, Wright Town, Richhai and Bhilai.

All the telecom factories put together had a turnover of Rs 290 crore for the year 2005-06 and staff strength of 4000 as of March 2006. The telephone services provided by BSNL grew exponentially with the introduction of wireless technologies, especially cellular mobile telephone services. The Company could not exploit this opportunity to increase the scale of production in the telecom factories. Production of telecom factories still accounted for a very small proportion of the overall procurement made by the Company.

There is an urgent need for the Company to increase the scale of production in the telecom factories by shifting the product range towards wireless technology. The increase in production, coupled with fixation of standard cost and efficient manufacturing would help the factories to reap the advantages of economies of scale and become profit centres.

(Chapter-II)

Billing and Customer Care System in MTNL

MTNL started their GSM services in 2001 and as of August 2006 had 9.32 lakh subscribers at Delhi and 11.91 lakh subscribers at Mumbai. The Company replaced their Billing and Customer Care System (B&CCS) in November 2004 without considering the economy of procuring a new system when a project for commissioning an advanced convergent billing system was already in the pipeline. The customization of the new system was deficient since the Company failed to enable important modules for credit control and charging of late fee for delayed payments before commissioning the new billing system. This led to piling up of outstanding telephone dues.

Subscriber data base in B&CCS lacked complete details of customers in as much as personal identification details of 7.57 lakh customers out of 9.64 lakh active customers of Delhi Unit were not available in the B&CCS. The Company needs to take effective steps to update the database with complete details of the subscribers. Utilizing the full potential of the B&CCS to offer improved services like hot billing, payment through credit card, easy redressal of customer complaints etc. would help the Company to perform better in a competitive environment.

(Chapter-III)