

**GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA**

STARRED QUESTION NO:39

ANSWERED ON:23.02.2011

REVIVAL OF BSNL

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Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

- (a) whether the financial position of Bharat Sanchar Nigam Limited (BSNL) has deteriorated during the last few years and the current year;
- (b) if so, the details thereof and the reasons therefor, year-wise;
- (c) whether the recommendations of Sam Pitroda Committee for the restructuring of BSNL have been acted upon;
- (d) if so, the details thereof and if not, the reasons therefor; and
- (e) the measures taken by the Government to improve the performance of BSNL?

Answer

THE MINISTER OF HUMAN RESOURCES DEVELOPMENT AND COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI KAPIL SIBAL)

(a) to (e) A Statement is laid on the Table of the House.

STATEMENT TO BE LAID ON THE TABLE OF THE LOK SABHA IN RESPECT OF PARTS (a) TO (e) OF THE LOK SABHA STARRED QUESTION NO. 39 FOR 23RD FEBRUARY, 2011 REGARDING "REVIVAL OF BSNL".

(a) & (b) As per audited books of account, BSNL has earned profit since its inception in October 2000 (i.e. 2000-01) up to the financial year 2008-09. However, it has incurred a loss of Rs.1822.65 crores for the first time during the last financial year 2009-10.

The details of net profit/ (loss) of BSNL during last three financial years i.e. 2007-08 to 2009-10 are as follows:

Financial Years	Amount (In Rs crore)
2007-08	3009.39
2008-09	574.85
2009-10	(1822.65) (Loss)

The amount of net profit/ (loss) for the current financial year 2010-11 would be known only after closure of the annual accounts.

The loss incurred by BSNL during the financial year 2009-10 is mainly on account of following reasons:

I. Reduction in Revenue:

There has been a decline in revenue from wire-line business due to churning of Subscribers of Fixed Line Services in view of preference to Mobile telephony and fall in ARPU (Average Revenue Per User). Though there is a net increase in number of connections in case of Wireless connections yet revenue decreased mainly due to the reduction in tariff by BSNL in the competitive market.

II. Increase in Expenditure:

The staff expenditure has increased due to implementation of recommendations of Wage Revision Committee. The wage revision has alone caused an additional expenditure of Rs. 2900 crores over the previous year on account of payment of arrears for the period from 01.01.2007 to 31.03.2010.

(c) & (d) The Full Telecom Commission (FTC) deliberated on the recommendations of the Sam Pitroda Committee on improving the performance of the BSNL in its meeting held on 7.7.2010. The Telecom Commission decided to constitute 'Internal Committee' under Chairmanship of Member (Services), Department of Telecom, to give its recommendations on the report. Accordingly on 19.08.2010, a Committee under the Chairmanship of Member (Services) was constituted.

The internal committee submitted its report on 29.10.2010, which was discussed again in the Full Telecom Commission in its meeting

held on 30.11.2010. FTC has decided the following in the matter:

(i) Taking 30-50 professionals from market at market rates changing Board Constitution or separating Chairman and MD posts may not be feasible in only one Public Sector Undertaking (PSU) as it may trigger protest from BSNL and demand for similar treatment by other PSUs.

(ii) This is not the opportune time for listing & disinvestment of BSNL, as company is on downward performance path & disinvestment may not realize true value of the company. In absence of listing, option of giving stocks as incentive to key management is not available for the present.

(iii) Voluntary Retirement Scheme (VRS) across the board may not be required; BSNL could examine option of VRS for select categories, examining financial burden and cost / benefit of the company.

(iv) On adopting Managed capacity or managed services model - Internal Committee view that the Board of BSNL may take a view is endorsed.

(v) Unbundling of the local loop is a commercial decision, which shall be decided by BSNL Board after critically examining the issue.

(vi) All other issues are operational and commercial issues of BSNL for which the Board is competent to take decisions.

The Commission also observed that some of the above issues including items (ii), (iii) and (v) could be revisited if the need arose in the context of any major policy decisions involving restructuring and repositioning of BSNL.

(e) BSNL has taken following steps to enhance its revenue and to be competitive in the fiercely competitive market:

(i) Restructuring of Organization into four business Verticals viz., Consumer Mobility, Consumer Fixed Access, Enterprise and New Business.

(ii) Strengthening of Marketing, Sales and Distribution Channels through specific targeted Projects.

(iii) Continuous improvement in Customer care through Project Smile.

(iv) Emphasis on Value Added Services to increase ARPU.

(v) Leveraging Information Technology for bringing efficiency in all its operations.

(vi) Growth of 3G, Broadband and Data Centre Services.

(vii) Creating a segmented go-to-market approach to tap the enterprise market.