

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

UNSTARRED QUESTION NO:2441

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LOSSES TO BSNL AND MTNL

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

- (a) whether both the telecom PSUs MTNL and BSNL are incurring losses;
- (b) if so, the details thereof during the last three years and the current year alongwith the reasons therefor;
- (c) the measures taken by the Government to revamp these loss making PSUs in profit making entities;
- (d) whether there is a proposal of merging MTNL with BSNL for helping them to compete better with private players in the sector; and
- (e) if so, the details thereof and the progress made in this direction so far?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY

(SHRI MILIND DEORA)

(a)&(b) Yes Madam, Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL) are incurring losses for the last two years. The details of Profit / Loss for the last three years and the current year are as follows:

Profit/Loss- 2008-09 2009-10 2010-1 2011-12 (upto 31.12.2011)

(in Rs. Crores)

of

BSNL 575 (-)1823 (-)6384 (-)7134

MTNL 2011 (-)2611 (-)2802 (-)2644

The figures for the financial year 2011-12 are provisional and unaudited.

The losses in BSNL and MTNL are due to decline in revenue & increase in expenditure. The reasons for the decline in revenue are as follows:

Fixed to mobile substitution.

Stiff competition in mobile sector.

Decrease in Average Revenue Per User (ARPU) in mobile sector.

The reason for the increase in expenditure is mainly due to large legacy work force whose wages account for around 50% of the revenue.

(c) To bring about synergies between various telecom units of DoT, a committee was constituted by DoT. The Committee has

recommended that the DoT may encourage creation and recognition of synergistic alliance of BSNL and MTNL through appropriate policy interventions and support for optimum utilisation of their resources and strengths to their mutual benefit.

In addition, one of the provisions in the draft revised National Telecom Policy (NTP- 2012), inter-alia also contains the provision to encourage recognition and creation of synergistic alliance of public sector and other organisations of Department of Telecommunications through appropriate policy interventions and support for optimum utilisation of their resources and strengths in building a robust and secure telecom and information infrastructure of the nation.

Department of Telecommunications (DoT) regularly reviews the performance of BSNL and MTNL to improve their financial health. Some of the steps taken by BSNL and MTNL to make them profitable are as follows:

Optimizing CAPEX and OPEX through convergence and consolidation of infrastructure.

Strengthening of stable revenue streams through concerted focus on broadband and enterprise business with major focus on Government projects.

Focussing on the revenue from top 100 Cities for monitoring purpose.

Sustained operational focus on customer care, service delivery, service assurance, revenue management and asset management.

Aggressive push on Data usage and value added services.

Clear cut segregation of commercial activities from social obligation to ensure sustainable growth.

Progressive migration of current network to Next generation network thereby ensuring convergence, consolidation and seamless delivery of various services to end customers across different technologies.

(d)&(e) To bring about synergies between various telecom units of DoT, a committee was constituted by DoT. One of the Terms of Reference of the Committee was to study and suggest the feasibility of merger of MTNL and BSNL to form a strong organisation to meet the needs of telecom sector. The Committee has mentioned in its report that the merger of BSNL and MTNL is recommended as a desirable goal. However, before merger, the issues arising from MTNL being a listed company, financing of costs involved in the merger and the HR issues, e.g. Differences in pension administration mechanism, pay scales and other HR policies of the two organisations need to be essentially addressed first. Since resolution of these issues would be time consuming, therefore, at this stage, creation and recognition of synergistic alliance of these organisations needs to be encouraged through appropriate policy interventions and support for optimum utilisation of their resources and strengths to their mutual benefit.