

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

STARRED QUESTION NO:111

ANSWERED ON:21.03.2012

FINANCIAL ASSISTANCE TO BSNL

Bapurao Shri Khatgaonkar Patil Bhaskarrao;Tudu Shri Laxman

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

- (a) whether the cash reserves of Bharat Sanchar Nigam Limited (BSNL) have gone down and it has incurred losses for the year ended March, 2011 and if so, the details thereof and the reasons therefor;
- (b) whether BSNL has sought financial assistance from the Government;
- (c) if so, the details thereof and the reasons therefor alongwith the response of the Government thereto;
- (d) whether the Government proposes to curtail the heavy employee costs and if so, the details thereof; and
- (e) the other corrective measures taken by the Government to improve the financial condition of the company?

Answer

THE MINISTER OF HUMAN RESOURCE 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 LOK SABHA STARRED QUESTION NO. III FOR 21ST MARCH, 2012 REGARDING 'FINANCIAL ASSISTANCE TO BSNL'

(a) As per the audited books of account, cash reserve of Bharat Sanchar Nigam Limited (BSNL) has gone down from Rs. 30343 crores as on 31st March 2010 to Rs. 2500 crores on 31st March 2011. BSNL had incurred net losses of Rs. 6384 crores during the financial year ended on 31st March, 2010. Main reasons for declining cash reserves of BSNL are as follows:

Payment of Rs. 18500 crores towards 3G Spectrum and Broadband Wireless Access (BWA) Spectrum Auction Price to Department of Telecommunications (DoT).

Payment of Rs. 5301 crores to LIC towards Group Leave Encashment Scheme (GLES).

Payments of Rs. 2900 crores due to implementation of Revised Pay Scales.

Payment of Rs. 392 crores as tax liability. The losses in BSNL 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 is account for 50% of the revenue.

(b)&(c) BSNL has sought continuation of support towards rural wireline connections on phasing out of Access Deficit Charge (ADC). The Telecom Regulatory Authority of India (TRAI) has made interim recommendation of Rs. 600 crores as support.

(d) DoT has received a Voluntary Retirement Scheme proposal from BSNL regarding rationalizing its staff in view of the Company's high salary costs and deteriorating financial health in the face of fierce competition.

(e) DoT regularly reviews the performance of BSNL to improve its financial health. Some of the steps taken by BSNL to make it 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.