

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

STARRED QUESTION NO:121
ANSWERED ON:06.03.2013
MARKET SHARE AND REVENUE OF MTNL AND BSNL
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Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

- (a) whether the market share and the revenue earnings of Mahanagar Telephone Nigam Limited (MTNL) and Bharat Sanchar Nigam Limited (BSNL) have been declining during the last three consecutive years and the current year;
- (b) if so, the details thereof along with the losses incurred by both the companies during the said period, company and year-wise and the reasons therefor;
- (c) whether the Government has conducted any review of the functioning of these companies and their management and if so, the details and the outcome thereof and if not, the reasons therefor;
- (d) whether the Government has accepted all the recommendations of Sam Pitroda Committee on restructuring of BSNL and if so, the details thereof including the action taken by the Government thereon; and
- (e) the corrective measures taken by the Government to check the declining market share and the losses of these public sector companies?

Answer

THE MINISTER OF 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. 121 FOR 6TH MARCH, 2013 REGARDING "MARKET SHARE AND REVENUE OF MTNL AND BSNL"

(a) & (b) The details of revenue, profit/loss and market share of Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL) during the last three years of 2009-10, 2010-11, 2011-12 and for the current year 2012-13 upto 31.12.2012, are as follows:

As on	Total Revenue	Profit/Loss	Market Share (%age)			
(In Rs crores)	(In Rs crores)	(In Rs crores)	BSNL	MTNL		
31.3.2010	32,045	5,058	-1,823	-2,611	15.66	14.21
31.3.2011	29,688	3,992	-6,384	-2,801	13.83	11.29
31.3.2012	27,934	3,624	-8,551	-4,110	12.70	11.00
31.12.2012#	19,305	2,682	-6,536	-3,335	13.51	11.30

Figures for Revenue and Profit/Loss are provisional

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

Fixed to mobile substitution

Stiff competition in mobile sector.

Payment towards 3G & Broadband Wireless Access (BWA) spectrum charges resulting in reduction in interest income.

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

The reason for the increase in expenditure is mainly due to wages of large legacy work force.

(c) & (e) Department of Telecommunications (DoT) and the senior management of both PSUs review the performance of BSNL and MTNL regularly.

Some of the Steps taken by BSNL and MTNL to increase their revenue and market share are as follows:

BSNL

- # Strengthening of sales and distribution system.
- # Special consumer retention camps.
- # Monitoring of Quality of Service (QoS) parameters to adhere to the benchmarks stipulated by Telecom Regulatory Authority of India (TRAI).
- # Continuous improvement in customer care through Project smile.
- # Introduction of various attractive tariff plans & improved marketing strategies.
- # Provision of Value Added Services including broadband services, Intelligent Network Services and broadband based value added services like Video/Games/Music on demand etc.

MTNL

- # Plan to commission Convergent billing. This system will provide one bill for all services to a subscriber and address customer request for services, tariff etc.
- # Reviewing of tariff for various products and services.
- # Measures to facilitate easy payment of telephone bills.
- # Online system for booking of different services and complaints for landline and mobile.
- # MTNL is having Sanchar Haats in Delhi and Customer Service Centers (CSCs) at Mumbai, for customers to get various services like registration for new service, duplicate bills of cellular connection, bill payment, Virtual Calling Cards etc.

(d) The Government had set up a Committee in January 2010 under Shri Sam Pitroda to review the functioning of Bharat Sanchar Nigam Limited (BSNL). The important recommendations of the Sam Pitroda Committee inter alia were as follows:

- # Focus on selection of the best professionals from the market at market rates.
- # Establish four independent business units for Fixed access, Mobility, Enterprise and New businesses.
- # Complete ITS (Indian Telecom Service) absorption process.
- # Retire or transfer around 100K employees through processes like VRS (Voluntary Retirement Scheme).
- # Change procurement processes and procedures substantially using tools such as e-Procurement, vendor rating, rate running contracts, schedules, etc.
- # Disinvest 30% through Indian strategic investor and at Initial Public Offering (IPO) to return 10% to the government and use 20% for employee VRS, expansion and operation.
- # Provide 30 million new high speed broadband connections in the next three years.
- # Unbundle local loop for public and private companies.
- # Proactively offer sharing of active and passive infrastructure to other operators.
- # Enhance rural communication facilities by connecting 2,50,000 panchayats.
- # Create a separate subsidiary company for tower related infrastructure.
- # Create a separate subsidiary to hold land bank and other real estate assets.
- # Establish a BSNL venture fund to invest and/ or acquire small appropriate technology companies.

Telecom Commission deliberated on the recommendations of Sam Pitroda Committee on improving the performance of the BSNL on 30.11.2010 and decided that:

- (i) Taking professionals from market at market rates, changing Board Constitution or separating Chairman and Managing Director 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) Listing & disinvestment of BSNL would not be appropriate at the current time 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) VRS across the board may not be required; BSNL could examine option of VRS for select categories in context of financial burden and cost/benefit to the company.

(iv) On adopting Managed capacity or managed services model, it recommended that the Board of BSNL may take a view.

(v) Unbundling of the local loop being a commercial decision should be decided by BSNL Board after critically examining the issue.

(vi) All other issues flagged by Pitroda Committee 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 could be revisited if the need arose in the context of any major policy decisions involving restructuring and repositioning of BSNL.