

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

UNSTARRED QUESTION NO:1828

ANSWERED ON:03.12.2014

LOSSES AND REVIVAL OF MTNL AND BSNL . KUNWAR HARIBANSH SINGH

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

- (a) whether the Mahanagar Telephone Nigam Limited (MTNL) and Bharat Sanchar Nigam Limited (BSNL) are incurring heavy losses;
- (b) if so, the details thereof during the last three years and the current year, year-wise and the reasons therefor along with the measures taken for their revival;
- (c) the funds allocated and spent by the Government on modernisation of both the telecom PSUs during the said period;
- (d) whether the Government also proposes to disinvest and merge MTNL and BSNL; and
- (e) if so, the details thereof and the steps taken/proposed to be taken by the Government in this regard so far?

Answer

THE MINISTER OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI RAVI SHANKAR PRASAD)

(a) & (b) Yes Madam, Mahanagar Telephone Nigam Limited (MTNL) and Bharat Sanchar Nigam Limited (BSNL) have been incurring losses. Details of their profit/losses during the last three years and current year are given below:

In (Rs. Crores)

Year	BSNL	MTNL
2011-12	-8850	-4109
2012-13	-7884	-5322
2013-14	-7019	7825
2014-15	-3785	-1567

(upto
30.9.2014)
(Provisional
& unaudited)

MTNL has shown a profit of Rs 7825 crore mainly due to write back of provisions on account of pensionary liabilities and spectrum amortization costs after decisions of Government taken for revival of MTNL.

The following factors resulted in losses to BSNL and MTNL:

v I. Decline in revenue due to the following reasons:

Fixed to mobile substitution leading to surrender of wireline connection.

Delay in expansion of GSM (Global System of Mobile communication) capacity.

High reduction in the income from sources other than services due to the one time payment of wages arrears and spectrum fee payment.

Perceived poor quality of customer services.

II Increase in expenditure due to the following reasons

Legacy workforce whose salary & wages are more than 50% of revenue

Increasing repair and maintenance costs.

High interest burden in case of MTNL.

v Government has taken several measures in an attempt to bring BSNL and MTNL out of financial distress. These measures include:

- (i) Treatment of pensionary liabilities of Government employees absorbed in MTNL and who opted for combined service pension on parity with similar employees in BSNL.
- (ii) Waiver of Government loan to BSNL involving an amount of Rs.1411 crores
- (iii) Financial support of Rs.6724.51 Crores to BSNL and Rs.4533.97 crores to MTNL on surrender of Broadband Wireless Access (BWA) spectrum.
- (iv) Financial support of Rs. 492 Crores to MTNL, towards payment of Minimum Alternate Tax (MAT).

In addition to above measures, BSNL and MTNL are also separately preparing a revival plan for increasing revenue potential, identifying business opportunities, organizational restructuring to grow into customer-centric companies with expertise in marketing and customer services delivery and developing human resources strategy in line with restructured organizational vision.

(c) BSNL and MTNL are making efforts to modernise their wire line and wireless customers. These include:-

Value Added Services including broadband services, IPTV services, Video phones and Video Conferencing services etc are being provided.

Modernization of landline network like induction of new IP (Internet Protocol) Based NGN (Next Generation Network) switches, induction of converged customer care and billing platform, provisioning of new services at affordable prices, making available of latest CLIP (Calling Line Identification Presentation) phones.

Attractive tariff plans & improved marketing strategies along with rigorous monitoring of Quality of Service parameters is being done as defined by TRAI (Telecom Regulatory Authority of India).

BSNL has undertaken augmentation of its Mobile Network capacity, through Phase VII expansion by installation of 15 million lines including 14263 Base Transceiver Stations (BTSS) for 2G services and 10502 Node Bs for 3G services in the network to enhance the coverage and improve the quality of service. Out of this 8.93 million lines have been rolled out.

3G Network Up-gradation, Migration of legacy wireline network to IP based Next Generation Network (NGN) switches and extending reach of FTTH (Fibre to the Home) by MTNL.

The funds allocated and utilised on capital works by BSNL and MTNL during the last three years and the current year are given below:-

Year	BSNL (Rs. In crore)		MTNL (Rs. In crore)	
	Allocated	Utilised	Allocated	Utilised
2011-12	15277.63	3853.08	1145.46	486.69
2012-13	9504	3354.46	887.39	388.88
2013-14	5593	3094.93	786.93	361.20
2014-15	5132.19	1480.58	808.46	69.32
	(upto	(upto		
	October, 2014)	September, 2014)		

(d) & (e) At present, there is no proposal for disinvestment in MTNL and BSNL. Government is in the process of revival and revitalization of Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL) through various short term, medium term and long term measures.

The long-term measures, including merger of BSNL and MTNL, would attempt to position these PSUs to emerge as market leaders in the converged telecommunication market. For an in-depth study on the implications of merger of the two PSUs, four groups have been constituted to study issues of human resources integration, system integration, corporate integration and financial integration.