

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

UNSTARRED QUESTION NO:3407

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FINANCIAL POSITION OF 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, the MTNL and the BSNL are facing financial crisis;
- (b) if so, the details thereof and the reasons therefor;
- (c) the amount expended for payment of pension to their retired employees per month;
- (d) whether the salaries of the employees are being paid by premature withdrawal from fixed deposits and taking loans from banks; and
- (e) if so, the details thereof and the action taken by the Government to improve the financial conditions of both the PSUs?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI MILIND DEORA)

(a) & (b) Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL) are facing losses.

In case of BSNL, it has fully met its operational expenses through internal accruals during Financial Year 2011-2012. However, for CAPEX authorizations, market borrowings were partially resorted to, which stood at Rs.1320.47 crores as on 31.03.2012. The main reasons for financial crisis in BSNL are as follows:

Large legacy work force whose salary & wages is around 50% of the revenue. The expenditure on this account has increased due to implementation of the wage revisions.

Inheritance of legacy wireline systems which are expensive to maintain.

Economically unviable rural operations as social obligation.

Maintenance of Legacy Telegraph system.

Vast area of operation and thus CAPEX & maintenance costs are extremely high.

Payment of 3G and Broadband Wireless Access (BWA) upfront spectrum cost to the Government.

In case of MTNL, the financial crisis is mainly due to the cash out flow of Rs. 11097.97 crores towards the 3G & BWA upfront spectrum cost to the Government and high staff costs which is more than 80% of the revenues of MTNL.

(c) MTNL is spending Rs. 34.40 crores (approx) per month on payment of pension to the employees absorbed from the Government, who have opted for pension for their combined service in the Government and MTNL.

In case of BSNL, the contribution made towards pension fund is Rs. 2024 crores and Rs. 1399 crores for the year 2009-10 and 2010-11 respectively.

(d) & (e) No Madam. Department of Telecommunications (DoT) regularly reviews the performance of BSNL and MTNL for monitoring their financial health. Some of the steps taken by BSNL and MTNL to improve their financial conditions 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.

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.

