

**GOVERNMENT OF INDIA
COMMUNICATIONS
LOK SABHA**

UNSTARRED QUESTION NO:4563

ANSWERED ON:29.03.2017

Revenue Loss due to Tariff War

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Will the Minister of COMMUNICATIONS be pleased to state:

- (a) whether the Government has taken cognizance of the reported downward trend in revenue accrued to the Government due to the alleged tariff war among the Telecom Service Providers (TSPs) triggered by free promotional offers by a new TSP;
- (b) if so, the details thereof including the revenue accrued to the Government during each of the last three years, TSP-wise along with the steps taken by the Government to ensure a level playing field in the telecom sector;
- (c) whether the promotional offers/tariffs of TSPs are governed by any guidelines/regulations and if so, the details thereof;
- (d) whether the Government proposes to revisit the said guidelines/regulations along with the licensing framework and if so, the details thereof along with the time by which the said guidelines/regulations/frameworks are likely to be reviewed and if not, the reasons therefor;
- (e) whether the BSNL and MTNL have incurred losses in recent years and if so, the details thereof including the operational profit/losses registered by the BSNL and MTNL during the said period and the reasons therefor; and
- (f) the steps taken by the Government in this regard?

Answer

THE MINISTER OF STATE (IC) OF THE MINISTRY OF COMMUNICATIONS &
MINISTER OF STATE IN THE MINISTRY OF RAILWAYS
(SHRI MANOJ SINHA)

(a) Yes Madam. The revenue generation during the first three quarters of 2016-17 is as under:

(Rs. in Cr)

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| Quarter1 | Quarter 2 | Quarter 3 | Total | |
|------------------------|-----------|-----------|---------|----------|
| Licence Fee | 3975.67 | 3584.04 | 3450.13 | 11009.84 |
| Spectrum usage charges | 1995.2 | 1820.03 | 1553.17 | 5368.4 |

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(b) The details of revenue accrued to the Government during the last three years (Telecom Service Providers (TSP)-wise) is given in Annexure I and Annexure IA. The Licence Fee and Spectrum usage charges (SUC) is charged as a percentage of Adjusted Gross Revenue from all Access Service providers at same rate.

(c) & (d) TRAI prescribes tariff for services in India. At present, these are under forbearance for mobile services. Through an advisory issued on 19.06.2002, TRAI asked all telecom service providers to restrict the validity of promotional packages and/or the benefits offered to customers under such packages on offer to a maximum of 90 days from the date of launch. Also, the Authority issued a Direction dated 01.09.2008 to all Access Service Providers regarding transparency in tariff offers, inter alia requiring the service providers that while publishing their promotional offers to the public, operators should specify:

(i) The eligibility criteria for such promotional offer; and

(ii) The opening and closing dates of such promotional offer (within the existing limit of ninety days).

TRAI issued a consultation paper on 'Regulatory Principles of Tariff Assessment' on 17.02.2017 for comments of the stakeholders. Last dates of submission of comments and counter-comments are 07.04.2017 and 15.04.2017 respectively. After receiving and analyzing of the comments, the Authority may decide to review the guidelines/regulation of tariff assessment.

(e) The information regarding net loss of revenue of BSNL and MTNL is given in Annexure -II. The reason for losses are as under:

BSNL:

During the year 2013-14, 2014-15 and 2015-16 the growth in revenue is marginal as BSNL had to offer lower tariffs to face competition. Further, there is increase in operating expenses as BSNL has to maintain Telecommunication Network and offer services in non- remunerative areas.

MTNL:

MTNL made book profit of 7825.13 crores during FY 2013-14. The same was on account of reversal of provisions of pensionary benefits following GOI decision for payment of the pension from its own sources and also the reversal of amortization charged earlier for one time BWA spectrum due to refund of BWA Spectrum by MTNL. During the years 2014-15 and 2015-16 the company incurred

losses basically due to huge legacy staff cost on account of absorption of entire working employees in group B,C and D. In these years the staff cost was around 70-80% of total revenue and therefore the losses are due to excessive staff cost which is otherwise 5-6% of revenue on average in case of other operators.

(f) The steps taken are as given in Annexure III.q

Annexure - I

Operator wise License Fee Collections

(Rs. in Cr)

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| Sl. No. | Name of the Companies | 2013-14 | 2014-15 | 2015-16 |
|---------|--|----------|----------|----------|
| 1 | Aircel Ltd. | 292.08 | 336.74 | 350.58 |
| 2 | Bharti Group of Companies | 2860.99 | 3260.04 | 3721.53 |
| 3 | BPL Mobile Communications Ltd. | 32.04 | 0.00 | 0.00 |
| 4 | BSNL | 1919.76 | 123.95 | 101.62 |
| 5 | Dishnet Wireless Ltd. | 218.42 | 264.10 | 286.54 |
| 6 | Idea Cellular Ltd. | 1467.26 | 1730.89 | 2094.19 |
| 7 | Quadrant Televentures Ltd. | 9.23 | 8.07 | 6.69 |
| 8 | MTNL | 164.93 | 0.00 | 0.00 |
| 9 | Reliance Group of Companies | 695.66 | 605.77 | 526.07 |
| 10 | Reliance Jio Infocom Limited | 0.00 | 0.58 | 5.80 |
| 11 | Sistema Shyam Teleservices Ltd. | 75.52 | 91.46 | 104.84 |
| 12 | Spice Communications Ltd. | 157.89 | 184.20 | 227.54 |
| 13 | Tata Group of Companies | 756.34 | 805.42 | 834.72 |
| 14 | Telenor India Communications Private Limited | 53.61 | 104.78 | 226.22 |
| 15 | Unitech Wireless East Pvt Ltd. | 126.53 | 91.99 | 39.86 |
| 16 | Videocon Telecommunications Ltd. | 10.61 | 13.52 | 9.92 |
| 17 | Vodafone Group of Companies | 2125.01 | 2414.89 | 2676.45 |
| 18 | Other Services | 3708.94 | 2491.79 | 2112.59 |
| | Total | 14674.82 | 12528.19 | 13325.16 |

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Annexure I-A

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TSP wise Spectrum Usage Charges (CDMA+GSM+BWA) collection

(Rs. In Cr)

(CDMA+GSM+BWA)

Telecom Service Provider FY 2013-14 FY 2014-15 FY 2015-16

| | | | |
|---|---------|---------|---------|
| Aircel Ltd | 190.44 | 213.45 | 215.27 |
| BSNL | 490.72 | 492.59 | 278.88 |
| Bharti Airtel Ltd | 1878.17 | 2088.57 | 2300.50 |
| Bharti Hexacom Ltd | 138.47 | 163.66 | 192.07 |
| BPL Mobile Communication Ltd.& Loop Telecom | 45.03 | 0.00 | 0.00 |
| Dishnet Wireless Ltd | 95.66 | 120.87 | 135.70 |
| HFCL Infotel Ltd | 2.88 | 2.65 | 1.63 |
| Idea Cellular Ltd | 722.11 | 848.20 | 1037.41 |
| Idea Mobile Communications Ltd | 244.28 | 289.71 | 314.73 |
| MTNL | 62.56 | 0.00 | 0.00 |
| Reliable Internet Sves Ltd | 9.74 | 8.07 | 5.00 |
| Reliance communications Ltd | 190.95 | 67.95 | 126.27 |
| Reliance Jio Infocom Limited | 0.00 | 99.36 | 48.36 |
| Reliance Telecom Ltd | 118.36 | 104.51 | 94.37 |
| S. Tel | 0.27 | 0.00 | 0.00 |
| Sistema Shyam Teleservices Ltd | 28.72 | 37.22 | 41.48 |
| Spice Communications Ltd | 98.27 | 113.68 | 146.52 |
| Tata Teleservices Ltd | 252.21 | 253.29 | 262.10 |
| Tata Teleservices Maharashtra Limited | 93.89 | 77.91 | 89.39 |
| Unitech/Telewings Communications Services Private Limited | 76.95 | 127.15 | 151.18 |
| Videocon Telecommunications Ltd | 8.15 | 7.33 | 11.83 |
| Vodafone | 1488.84 | 1715.10 | 1789.23 |
| Total | 6236.68 | 6831.26 | 7241.93 |

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Annexure II

BSNL

(Rs. in Cr)

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Sl.No. Particular 2013-14 2014-15 2015-16

1 EBITDA (691) 672 3854

2 Net Profit /(Loss) (7,019) (8,234) (3,880)

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MTNL

(Rs. in Cr)

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Profit/ (Net Loss) Operating Losses (EBIT)

2013-14 7825.13 (1908.47)

2014-15 (2893.39) (1453.77)

2015-16 (2005.74) (1201.29)

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Annexure III

Steps taken by BSNL:

â€¢ Mobile equipment is being procured/upgraded progressively for improvement and capacity augmentation in BSNL's Network GSM Phase VII+ project is under roll out.

â€¢ Competitive tariff is being offered to its customers keeping in view the existing market conditions.

â€¢

Steps taken by MTNL:

â€¢ Expansion of GSM / 3G RF network in Delhi: MTNL is in the process of expansion of mobile network by adding 1080 number of 3G sites for higher Data handling capacity. Purchase order of Rs 295 Cr. has been placed on 18.06.2016 for adding 1080 number of 3G sites in Delhi.

â€¢ 3G Network Up-Gradation in Delhi: APO for Rs. 48 Cr. has been placed for upgradation of existing 720 3G Node Bs for HSPA+ capability.

â€¢ 3G Network Up-Gradation in Mumbai: MTNL has also planned to upgrade the existing 3G network in Mumbai to make it a high speed network of 'HSPA+ version'. Purchase Order of Rs 28 Cr has been placed on 28.10.15 for Mumbai.

â€¢ Microwave Backhaul Connectivity: Purchase order for adding 800 Microwave Hops in Delhi and 470 in Mumbai are already placed for amounts of Rs 18.26 Cr. for Delhi and 10.9 Cr. in Mumbai. Purchase order for upgradation of existing 754 Microwave Hops in Delhi are placed on 18.02.17 for amounts of Rs. 17.74 Cr.

â€¢ After the proposed up-gradation, the customers will get a downlink speed of 21.1 Mbps & uplink speed of 5.76 Mbps which is presently of 3.6 Mbps & 384 Kbps respectively.

â€¢ Redeployment of DSLAMs of existing Broadband Network: MTNL has launched a special program to progressively increase the fibre length by redeploying the broadband nodes (DSLAMS) near to the subscriber premises in Delhi and Mumbai thereby reducing copper length and enhancing the quality of broadband service. 148 DSLAMs in Delhi & approx 140 in Mumbai have been redeployed thereby reducing copper length and enhancing the quality of Broadband service. This has improved customer experience and reduced the number of complaints.

â€¢ Fibre to the Home (FTTH): High speed Broadband connections on optical fibre are proposed to be added on revenue share basis in Delhi & Mumbai. The customer will be provided data speeds up to 100Mbps on optical fibre.
