

Outlook on Public Sector Telecom Service Provider (BSNL & MTNL) in India - continues to Bleed

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Abstract: Six months after the announcement of a revival package for Bharat Sanchar Nigam Limited, the government-owned telecom service provider continues to bleed: 4G spectrum is not allotted, non-availability of the fund continues and timely payment of salary every month remains a pipe dream. BSNL is already lagging behind the private telecom service providers by 4 years, so far as the 4G technology is concerned.

Keywords: Department of Telecommunications (DOT); Voluntary Retirement Scheme (VRS); Operational Expenditure (OPEX); Capital Expenditure (CAPEX); Telecom Equipment and Services Export Promotion Council (TEPC); Central Vigilance Commission's (CVC); Radio Access Network (RAN).

BACKDROP:

In 1991, as part of the New Industrial Policy, the DOT for the first time invited private participation in Telecom Services. Today, India is one of the most regulated telecom markets in the world and provides opportunities for both foreign operators and equipment sellers. With the opening of the telecom sector to private investment and establishment of an independent regulator, the matter of separation of service providing functions of DOT and ensuring a level playing field to various service providers had been engaging the attention of the government.

On these lines, the NTP-99 had enunciated to separate the policy and licensing function of DOT from the service providing function as a precursor to the corporatization of the DOT. Accordingly as a precursor to corporatization, a new department viz. Department of Telecom Services was created followed by the creation of the Department of Telecom Operations by carving out service provision and operational function from the licensor, i.e. the DOT. The two newly carved out service providing departments from DOT, namely the Department of Telecom Services (DTS) and Department of Telecom Operations (DTO) were corporatized ahead of schedule and a public sector company, **Bharat Sanchar Nigam Ltd (BSNL)**, was given all the service providing functions performed by these two Departments w.e.f. 1st October 2000. As of September 2019, BSNL has 12,71,01,521 subscribers (both wired and wireless). It's a network across the country except for New Delhi & Mumbai. Whether it is inaccessible areas of Siachen glacier or North-Eastern regions of the country, BSNL serves its customers with a wide bouquet of telecom services namely Wireline, CDMA mobile, GSM mobile, internet, broadband, carrier service, MPLS-VPN, VSAT, VoIP, IN Services, FTTH, etc. It has set up a world-class multi-gigabit, multi-protocol convergent IP infrastructure that provides convergent services like voice, data, and video through the same Backbone & Broadband Access Network.

The government had set up **Mahanagar Telephone Nigam Limited (MTNL)** in 1986 to upgrade the quality of telecom services, expand the telecom network, and introduce new services and to raise revenue. It was established in Delhi and Mumbai. The company's shares are listed on the Bombay Stock Exchange, Global depository receipts on London Stock Exchange, and American depository receipts on the New York Stock Exchange. The government of India currently holds 57% stock in the company with the rest being held by public and institutional investors. As of September 2019, it has 65, 73,534 subscribers (both wire line and wireless).

FINANCIAL STATISTICS OF MTNL & BSNL:

(A) MTNL:

In 2003-04, MTNL reported a net profit of Rs 1,277 crores as compared to Rs 877 crore in 2002-03, a 46% jump. After that the downfall started as the market in the two cities of Delhi and Mumbai was saturated in terms of subscribers. The losses of MTNL kept mounting because of cheap mobile rates offered by its competitors. The consolidated loss widened to Rs 3,388 crore for FY19 from Rs 2,971 crore in FY18.

(B) BSNL: During 2017-18, the turnover of BSNL is around Rs 25,071 crore. Just over a decade ago, BSNL's annual revenues were around Rs 40,000 crore and net profit of Rs 3,000 crore. Brokerage firm Kotak Institutional Equities Research estimates BSNL's accumulated losses to be over Rs 90,000 crore.

BSNL REVIVAL PLAN 2019:

Keeping the revenue downfall performance of BSNL for the past six years, as shown above, the Government of India has announced a revival plan to stabilize this state-owned Telecom Company of India. The main components of the revival plan are as follows:

- Voluntary Retirement Scheme (VRS-2019)
- Allotment of 4G Spectrum
- BSNL Assets Monetization Scheme

- Restructuring via Rs.15,000 Crore worth of Bonds
- The merger of BSNL & MTNL

(A)VOLUNTARY RETIREMENT SCHEME (VRS-2019):

Government of India announced on 23rd October 2019 the revival package of BSNL & MTNL, in which the employees who completed 50 years of age are eligible for opting VRS. Under this an ex-gratia of Rs.17,169 Crore was allotted to meet the expenses towards pension, gratuity, and Commutation. As 92,500 employees of BSNL and MTNL opted for VRS nearly Rs.8,500 crores will be saved annually towards salaries. From BSNL nearly 78,500 employees opted for VRS. Those who opted for VRS will receive 100-125% of the salary for the remaining service to a maximum of 42 months.

(B)ALLOTMENT OF 4G SPECTRUM:

Due to the non-allotment of the 4G spectrum both MTNL & BSNL losing the revenues in the Mobile sector, as at present these companies offering data with 3G technology only. Except for BSNL & MTNL all the TSPs in India already introduced 4 G services and due to disruptive pricing recently private operators shut down their operations in India. The government of India allocated a 4G spectrum and would be funded through a capital infusion at a value of Rs.23, 814 Crores, and will be borne by GOI through Budgetary resources. BSNL aiming to roll out 4G services from 1st March 2020.

(C)BSNLASSETS MONETIZATION SCHEME:

The government of India agreed to Rs.38, 000 crores worth of BSNL assets monetization over a period of 4 years. This will help to raise resources for retiring debt, servicing of bonds, network up-gradation, and expansion and also meeting the operational expenses. To smoothen the process, BSNL management also wants to allocate its land resources in principle to other government departments and agencies

(D)RESTRUCTURING VIA Rs.15, 000 CRORE WORTH OF BONDS:

BSNL & MTNL will raise long term bonds of Rs.15000 crore for which sovereign guarantee will be provided by GOI. It will restructure the existing debt and partly meet capital (CAPEX) and Operational (OPEX) expenditures.

(E)MERGER BETWEEN BSNL & MTNL:

Under the revival another decision of GOI is the merger of MTNL with BSNL. MTNL was created by an enactment in the Parliament and its stocks are listed, while BSNL was created under the Company's Act and it is not a listed Company. Until the resolution of all the issued MTNL will continue as a subsidiary for the BSNL.

HISTORY OF MOBILE SERVICES IN MTNL & BSNL:

In 2001, the MTNL launched GSM Cellular Mobile service under the brand name Dolphin. In 2002, the company launched pre-paid GSM mobile services under the brand name Trump.

The private operators commenced operations in GSM Mobile Services in 1996 in accordance with the National Telecom Policy formulated in 1994. After the formation of BSNL in Oct 2000 the Govt. of India permitted BSNL to offer GSM Services only in the year 2001-2002. BSNL rolls out its GSM Mobile services on 19th October 2002, within a short duration of three years BSNL managed to acquire number two slot in market share in GSM Mobile services in the year 2005 and BSNL's market share was neck to neck with Airtel, despite its delayed entry in mobile sector by two crucial years, saw the beginning of crumbling of BSNL.

BSNL 4G SPECTRUM ALLOTMENTS & PROCUREMENT OF 4G EQUIPMENT:

Until now, BSNL is providing 2G and 3G services only. Hence, it is losing huge revenue from 4G customers. The Government of India, as a part of the revival package, has decided to allot the 4G spectrum to BSNL. To roll out its 4G services, BSNL has floated a tender on 23.03.2020 for the supply, deployment, and maintenance of 4G equipment at 50,000 sites, at the cost of around Rs 9,300 Crores. BSNL's tender to procure the 4G equipment has hit roadblocks.

The Telecom Equipment and Services Export Promotion Council (TEPC), an industry body, has complained to the Department of Commerce that, the BSNL's tendering process has flouted the Government of India's policy of "Make in India" and was heavily in favor of multinational companies. However, there is already an attempt to scuttle the company's ambitious revival plans.

The TEPC has taken exception to some of the conditions of the tender, which stipulates that:

- 1) The bidding companies should have prior experience of having set up a mobile network for at least 20 million 4G lines.
- 2) National Security would be compromised if BSNL purchases 4G equipment from MNCs.
- 3) The potential bidders should have Rs 8,000-crore turn over in the previous two fiscals.

The Department of Commerce and the Department of Telecommunications have directed the BSNL to rework its tender, considering the complaints of the TEPC. The complaint raised by the TEPC is nothing but a ploy to stall the 4G equipment procurement and launch of 4G services by BSNL.

BSNL WITNESSED THE SAME SITUATION EARLIER ALSO:

(A) WHEN 93 MILLION LINE TENDER WAS STOPPED IN THE YEAR 2007:

BSNL received deadliest ever blow in the year 2007 when its highly ambitious mobile tender for procurement of 45.5 m GSM lines finalized in an exemplary transparent manner spanning over two years was set ablaze because of fatal political interference, and, since then, unabated interference in its business policies has assumed alarming dimensions to an extent that the growth of

BSNL is virtually paralyzed today. This caused considerable delay in the procurement of GSM Equipment for BSNL. The then Government wanted to cancel the Tender. Only after prolonged agitation by all the BSNL Unions/ Associations in July 2007, the Ministry allowed BSNL to place an order for 50% of the quantity of the approved Tender i.e. 23 Million GSM Lines. The immediate, expected and catastrophic consequence of such unwarranted intervention of MOC&IT in summarily reducing the size of the tender by 50% was that BSNL started profusely bleeding. During the three critical years from 2006 to date Airtel was allowed to continue its unabated forward march with unbridled freedom. BSNL was left completely paralyzed due to a 50% reduction of the size of the tender and could just add 30 million lines in the corresponding period. This situation in which BSNL's growth was completely stunted was deliberately created by vested interests. The strategic jump that Airtel and other private operators could attain during this period is only because BSNL was deliberately strangled from growing. This was done deliberately to help the private sector with the clear intention of planning the downfall of this strategic PSU.

(B) M/s.MOTOROLA CHALLENGED THE BSNL'S TENDER DURING THE YEAR 2007:

M/s Motorola challenged the BSNL tender and managed to stop the tender for about two years when it became ineligible to participate in the tender. Due to the security issues both Motorola and Chinese telecom giant ZTE were disqualified by BSNL's technical evaluation committee in the 62 million GSM tender in the year 2007. The decision of BSNL was challenged by Motorola and ZTE. It is one of the largest equipment tenders anywhere in the world; it has drawn all the leading telecom equipment manufacturers. Motorola, which earlier bagged a contract for GSM equipment in India, does the business of over \$300 million with BSNL. ZTE is carrying out BSNL's Rs 600 crore contract for laying CDMA lines. Hence, effectively, only two bidders "Ericsson and Nokia-Siemens Networks" are being considered and Motorola & ZTE were rejected on the plea of country security reasons, at the same time all the other Private Telecom service providers allowed to use the Chinese telecom manufacture equipment of all the vendors.

(C) HOME MINISTRY BANNED BSNL ALONE FOR PROCURING AND INSTALLING CHINESE EQUIPMENT IN THE MOBILE NETWORK:

In 2012-13, Govt. intervention crippled BSNL again when it stopped the Mobile tenders in the name of National Security when Govt. did not allow BSNL to procure and deploy equipment from Chinese vendors for the regions having international borders, that also after finalization of the tender. State-owned BSNL has banned Chinese vendors Huawei and ZTE from bidding for its Rs 2,000-crore contract for the supply of 55 lakh GSM lines for its Northern and eastern zones. BSNL has specified that only three Western vendors — Ericsson, Nokia Siemens, and Alcatel Lucent - can participate in the bidding process. The telecom gear from Western vendors are expensive when compared to Chinese vendors, but government directive prevents placing any orders with telecom gear makers from China, especially if the equipment has to be installed in circles that share international boundaries, also BSNL board had cleared the new tender, limiting the participation to the three Western vendors.

This is also the first tender the PSU has floated after it canceled its 93- million lines contract, the world's largest for telecom equipment. Following the junking of the 93-million lines contract, which had run into several controversies- including court cases and a probe by the Central Vigilance Commission- BSNL had decided to do away with its tender-based equipment procurement process and adopt the 'managed capacity model' followed by the private TSPs. As the government relied on BSNL's networks during times of external aggression and internal disturbances, the TSPs should not compromise on the security factor. The telecom commission, the apex decision-making body of the DoT has not approved to adopt a managed capacity model, BSNL has gone back to the earlier procurement process of awarding tender-based contracts. Interestingly MHA, Govt of India withdrew the order in 2014.

REASONS FOR SCUTTILING BSNL'S PROCUREMENT OF 4G EQUIPMENT:

(A) 4G TECHNOLOGY IS A STATE-OF-THE ART-TECHNOLOGY:

The condition laid down by BSNL that, a company that participates in the bidding should be having the experience of having provided 20 million 4G lines, is reasonable, and is well within the CVC guidelines. 4G is a state-of-the-art technology, BSNL cannot afford to procure sub-standard equipment from inexperienced companies, not having proven technology. Their product is not tested or validated so far. The Indian players do not have experience in managing large mobile networks, even if they have developed 4G technology. Further, the quality standards of their equipment have not been tested. It will be unfair to direct BSNL alone to buy local 4G equipment, which is largely untested, while letting the private players provide services with equipment supplied by global giants like Nokia, Ericsson, Huawei, Samsung, etc. If the domestic players are having proven technology, then why they did not insist when other private operators procured the 4G equipment? BSNL cannot afford to have another failed network deployment.

(B) UNIFORM POLICY FOR ALL THE TSP'S TO PROCURE WORLD-CLASS 4G EQUIPMENT:

All the private operators, viz., Reliance Jio, Airtel and Vodafone Idea are procuring their 4G equipment not from any domestic vendor, but only from multinational companies like Nokia, Ericsson, ZTE, Huawei, Samsung, etc. Domestic companies do not have 4G equipment of world-class standards and their products are not tested. When BSNL's competitors are procuring world-class 4G equipment from experienced vendors having proven technology, why should BSNL alone be compelled to procure substandard equipment, manufactured by inexperienced vendors, in the name of "Make in India" policy? Even recently, Airtel has awarded a one billion dollar contract to M/s Nokia, for the supply of 4G equipment. The burden of supporting domestic manufacturers cannot be put on the shoulders of BSNL alone, in a highly competitive telecom market.

(C) 4G PROJECT TENDER DOES NOT COVER UNDER “MAKE IN INDIA POLICY” : Since BSNL is not supported by USO Fund, or funded by the Govt. of India for this Project and Tender, this Tender and Project does not come under the purview of the "Make in India" policy, as per the PMI guidelines. BSNL has proposed to take loans from the banks and purchase the equipment. As per reports, the TEPC has demanded that bidders from other countries should be excluded from participating in BSNL's tender. As per clause 10(d) of Public Procurements (Preference to Make in India) Order 2017, which was revised on 28.05.2018, the Nodal Ministry can restrict or exclude only bidders from such of those countries which had not allowed Indian suppliers to participate in the procurement in their countries. Given this clause, the demand of the TEPC to exclude bidders from other countries is untenable. Further, the Government can insist only when the project is funded by the Govt of India like the LWE project, NOFN project, NFS project, etc. The TEPC was silent when other operators procured the equipment from multinational vendors. If the PMI clause is applicable since 2018, how Commerce Ministry allowed other operators to purchase the equipment from multinational vendors since 2018? Why the TEPC did not express its protest during those procurements? This establishes the malafide intention of the many players involved in this game, as well as their vested interests.

(D) APPLICABILITY OF MAKE IN INDIA POLICY TO ALL TSP's:

The “Make in India” policy should be made uniformly applicable to all the service providers and not selectively to BSNL alone. As regards, the alleged threat to the National Security, as raised by the TEPC, it is nothing but a lame excuse. All the private telecom operators in India are procuring 100% of their equipment only from the multinational vendors. Even recently, Airtel has awarded one billion dollar contract to M/s Nokia, for the supply of 4G equipment. No one, including the TEPC has raised the issue of National Security when the private telecom companies procured 4G equipment from multinational vendors. Further, the majority of critical transmission equipment deployed by BSNL like Super Core routers are supplied by multinational vendors including Chinese vendors. Similarly the NGN equipment and Mobile equipment are supplied by multinational vendors including Chinese vendors. Further, 90% of the mobile customers are with private operators and hardly 10% is with BSNL. What security threat could the 10% market share of BSNL cause, which is not caused by 90% of the market share, catered by the private operators? It is understood that, as per the BSNL tender, the potential bidding company must be registered and incorporated in India as per the Central Vigilance Commission's (CVC) guidelines.

(E) FINANCIAL ELIGIBILITY AS PER THE CVC GUIDELINES:

The Rs.8, 000 crore eligibility criteria are as per the Central Vigilance Commission's (CVC) guidelines, to confirm that, vendors should have strong financials. The turnover of almost all the companies under TEPC is less than Rs.1, 000 Crore. How can they participate in a tender worth Rs 9,300 crore? Even if they become successful bidders, how BSNL can ensure that, they will arrange thousands of crores of rupees and manufacture and supply the equipment within the schedule? BSNL cannot make advance payments to these companies, as done for the CDoT etc. in the past. BSNL had put the condition of turnover of Rs.8, 000 crores, each in the last two years, just to ensure that the successful bidder can invest the huge amount initially, manufacture the equipment and supply it to BSNL well within the time frame. It is not to exclude the domestic telecom equipment manufacturers but to ensure that the successful bidder is having the necessary capability to invest the money and manufacture the equipment and supply to BSNL and to protect BSNL's interest. Such eligibility conditions are part of any tender.

(F) CORE/RAN EQUIPMENT AVAILABILITY: None of the domestic manufacturers under TEPC is having the critical Core equipment or having the RAN (Radio Access Network).

(G) FINANCIAL/TECHNICAL ELIGIBILITY:

Pricing and Technology are the key factors of any equipment tender. These domestic companies don't have the network to prove their Technology.

(H) BASE PRICE WITH CAPEX / OPEX & RADIATED RF POWER:

Naturally the prices will be very high. The pricing of the product is an important component in any tender. The equipment that can be manufactured by any company under TEPC is with much less radiated power. So the number of BTSs and other connected equipment required will be almost double comparing to other multinational vendors supplying the same equipment. The CAPEX for BTSs is about Rs.12 lakhs and annual OPEX is about Rs.6 lakhs. So the CAPEX and OPEX will be increased manifold if BSNL is compelled to procure equipment from these domestic telecom equipment manufacturers.

(I) COMPATIBILITY WITH THE EXISTING NETWORK:

BSNL has already deployed about 49,300 BTSs which are 4G or 4G compatible. So the new equipment procured by BSNL should also have the advanced features and there should not be any connectivity issues between the equipment supplied by different vendors which the Indian Companies cannot assure.

CONCLUSION: All the above-mentioned points prove beyond doubt that the concern of the TEPC is not to ensure the effective implementation of the "Make in India" policy. The one-point agenda of the TEPC appears to be that of stalling the procurement of 4G equipment by BSNL and thereby delaying BSNL's rolling out of Pan India 4G services.

The tender for 4G equipment is more crucial than the 2G rollout in 2008, as BSNL is fighting for its survival now. The quick roll-out of 4G services will give the PSU a chance at cornering the market share. If BSNL is to compete with the likes of Reliance Jio and Airtel, then there has to be a level playing field. Pricing and Technology are two crucial factors in this aspect.

Stopping BSNL from rolling out its 4G service leads to defeating BSNL's revival plan, being carried out by the Government of India. BSNL tender should not be delayed as it is very important for the survival of the company and the employees. To promote the domestic manufactures, Govt. can allot LWE like projects to these companies; to begin with, if they are coming out successful, they can allot future works not only by BSNL but by all the Telecom Service Providers in the country.

BSNL will have to pay a heavy price for any more delay in the 4G tendering process, on the part of the authorities. Launching of 4G services is the lifeline for BSNL and the first and foremost requirement for BSNL's revival.

In the recent Indo-China's escalating border tensions following multiple casualties of Indian soldiers, has come as an opportunity for Indian telecom equipment vendors to further press the cause of Make in India and Atmanirbhar Bharat (self-reliant India).

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AUTHOR BIOGRAPHY:



M.SATYA PRASAD, ASSISTANT GENERAL MANAGER, BSNL presently working in Visakhapatnam, Andhra Pradesh, India. After Graduation in Electronics, completed a Bachelors' degree in Education and a Masters' of Business Administration with a specialization in Marketing & HRM. Presently doing Doctorate in Management at Andhra University, Visakhapatnam.

Had a vast experience in the field of Telecommunications worked in various wings like IP Switching, Transmission, Mobile Communication, Data Communication, Marketing and Entrepreneur Business.

Installation and maintenance of all types of Transmission systems like PCM, Optical Fibre Cable construction, Installation & testing of all types of PDH, SDH, DWDM and FTTH equipments belongs to various vendors manufactured during last 25 years. Also had work experience of Erection of all types of Mobile Communication towers (GBT, RTT and Pole), equipment installation and testing including RF Engineering, Hardware testing, conducting of Drive test to optimise the Mobile Network.

Recently during 2019 initiated the project of **Triple play service over Fibre (Telephone+ High speed Internet + Cable TV)** in Visakhapatnam first time in India in association with MSO Cable operator.

Academic Experience:

Initiated the first time in BSNL Skill development MOU's with Universities and Engineering Colleges and signed a good number of MOU's.

Nearly 7000 students were done interim ship/ project work in ECE Engineering stream from 2004 to 2019 under my guidance in Optical Fibre Communications, Mobile communications and in Wireless Technologies.

Nearly 230 students were done apprenticeship under my guidance in Diploma ECE branch in various sections for a period of 6 months up to the year 2018.

Nearly 100 students were done project work in Management (HRM&MKTG) for 4/6 weeks period in the year 2018.

Experience as a faculty for the **Employability Enhancement Training Programme (EETP)** sponsored for AICTE, SILVER, GOLD and PLATINUM and imparting soft and communication skills for 600 students between the years 2013 to 2015.

Paper Publication:

1) Published paper in the International Journal of Socio Technology & Knowledge Development on **"Customers' Satisfaction towards Mobile Prepaid Services: A Study of BSNL in Visakhapatnam District, Andhra Pradesh"** Volume 1| Issue 1| January – March 2018.

2) Published paper in the International Journal of Research and Analytical Review (IJRAR) on **"A COMPREHENSIVE STUDY ON BSNL REVIVAL CASE STUDY OF VOLUNTARY RETIREMENT SCHEME (VRS) -2019."** Volume 7 | Issue 1 | March 2020.

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