

# Committee Set Up to Look Into Revival of BSNL and MTNL

Panel will take a call on DoT's demand that Cabinet okays ₹23kcr bailout for the 2 public sector units

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The Centre has constituted a panel of ministers tasked with looking at ways to revitalise the two public sector mobile phone companies – BSNL and MTNL.

Currently, an empowered group of ministers (EGoM) headed by finance minister P Chidambaram looks into all spectrum-related issues for the telecom sector. It is not known if Chidambaram will head the new Group of Ministers (GoM) too. This panel will take a call on the telecom department's demand that Cabinet approve ₹23,000 crore bailout for BSNL and MTNL.

The other members of this panel include telecom and IT minister Kapil Sibal, commerce and industry minister Anand Sharma, planning commission deputy chairman Montek Singh Ahluwalia, information and broadcasting minister Manish Tewari and the minister of state for personnel, public grievance and pensions V Narayanasamy. Besides, Narayanasamy is also the representative from the Prime Minister's Office in this panel.

"The GoM will, keeping in inter alia in view national and strategic interest, consider and recommend measures that could be taken in the short, medium and long term for revival and revitalisation of BSNL and MTNL," said the official note from the Cabinet Secretary, on the formation of this panel. The group of ministers will have to finalise their recommendations in three months time, the note added.

Last month, Sibal had asked prime minister Manmohan Singh to constitute a panel of ministers who would come up with a strategy to revive the two public sector units. Sibal in his communication to the PM had said that while results for 2012-13 were yet to be de-



clared, he expected MTNL's network to be completed eroded and added that BSNL was expected to declare a loss of ₹10,000 crore during the same period. "Due to change in business environment and hyper competition in the telecommunication market, the financial position of BSNL and MTNL had deteriorated in the last 3-4 years. Unless immediate steps are taken to revive and revitalise these PSUs, they would turn sick shortly," Sibal had said.

BSNL, which offers services in all regions except Mumbai & Delhi had registered a loss of ₹8,851 crore in 2011-12 and MTNL about ₹4,110 crore during the same period.

## BSNL 2G Plans May Take Off as ZTE Agrees to Supply Gear

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BSNL's countrywide 2G network expansion plans will finally take off as the Indian arm of China's ZTE Corp has agreed to meet the state-run telco's additional GSM network requirement for 4.22 million lines in the eastern and northeastern circles, aggregating ₹1,220 crore, top BSNL executives, who didn't wish to be named, said.

ZTE India's decision comes after BSNL recently threatened to encash its ₹159-crore performance bank guarantees (PBGs) following the Chinese vendor's failure to meet the state-run telco's eastern zone purchase requirements by January 31, 2013. In response to ET's specific query on whether ZTE India chose to supply gear for BSNL's eastern zone expansion to avoid legal action, a company spokeswoman claimed, "There are no legal concerns between both parties as the implementation of existing order is in line with the terms and contracts of the contract."

Last year, ZTE India had edged out Huawei, Alcatel-Lucent, Nokia Siemens Networks and Ericsson to bag BSNL's mega contract for supplying 2G equipment for 10.15 million GSM lines in the northern and southern circles at \$58 per line (₹3,200 approx). Since none of these companies matched ZTE's price bid, BSNL asked the Chinese vendor to also supply GSM network gear for its eastern expansion in line with tender conditions. "ZTE has agreed to meet our additional GSM network gear needs in the eastern and north-eastern

states over the next four months. We expect to complete the eastern expansion by May 2014," said a senior BSNL official with direct knowledge, adding that the Chinese vendor would shortly furnish an additional ₹73 crore performance bank guarantee against BSNL's purchase order for the east zone. It has already furnished PBGs of ₹159.13 crore against BSNL's purchase orders for the northern and southern circles' expansion. ZTE has already kicked off 2G gear supplies for BSNL's GSM network expansion in the northern and southern circles.

But BSNL's bid to buy GSM network gear from ZTE in the east and north-east could be at odds with an interior ministry directive that discourages induction of Chinese telecom equipment in states having international borders with China, Bangladesh and Myanmar. West Bengal and several north-eastern states have international borders with Bangladesh, Myanmar and China.

"Based on concerns raised by security agencies about Chinese companies (ZTE and Huawei), and directions received from the home ministry, it was decided that resources should not be procured by BSNL from Chinese vendors for deployment in sensitive regions, which are defined as states having international borders with China, Bangladesh, Myanmar and Pakistan," says an internal note circulated last month by the telecom department's security wing, a copy of which was reviewed by ET.

BSNL officials declined to comment on whether it had taken special clearances to deploy Chinese gear in the sensitive regions.