

With Rs 548-cr medical bill, BSNL is not a healthy organisation

When we first looked (in June 2011), state-owned telecom giant Bharat Sanchar Nigam Ltd (BSNL) was headed for losses of Rs 2,725 crore for the year ended March 2011. In August, reports suggested unaudited losses had jumped to Rs 6,000 crore from Rs 1,823 crore in 2009-10. The final loss figure for 2010-11 stands at Rs 6,384 crore.

Worse, like state-owned Air-India, BSNL, too, appears to be in terminal decline, with sales shrinking at an alarming pace and costs — including a staggering employee bill — still rising. We take a closer look at some of BSNL's numbers that highlight a problem symptomatic of most state-owned organisations, except of course, for an honourable few.

The worrying part is not the financials but the steps announced by the government to reduce BSNL's losses and to improve its financial health — which clearly are not sufficient to do anything significant, given how bad things are.

In contrast with BSNL's shrinking revenue, Vodafone declared a 24 per cent jump in revenues for its India business from Rs 23,700 crore in 2010 to Rs 30,002 crore for 2011, with a total subscriber base of 134 million. In sales numbers, Vodafone, too, is bigger than BSNL, and so are other private telecom players like Bharti Airtel and Reliance Communications. ([Click here for table & graph](#))

Govt's remedy

Let's take a look at what the Department of Telecommunications (DoT) has outlined as steps to revive BSNL. It wants the government telecom company to optimise capital and operating expenditure through convergence and consolidation of infrastructure, besides strengthening stable revenue streams through concerted focus on broadband and enterprise business with a major focus on government projects. The focus has to be on revenue from top 100 cities "for monitoring purpose", while a sustained operational focus needs to be maintained on customer care, service delivery, service assurance, revenue management and asset management, with an aggressive push on data usage and value added services.

DoT intends to have a clear segregation of commercial activities from social obligation at BSNL to ensure sustainable growth.

In addition, the current network should progressively migrate to next-generation networks, thereby ensuring convergence, consolidation and seamless delivery of various services to end-customers across technologies.

The grim reality

Now, the first question that comes to mind is what was BSNL doing before DoT came up with its plan for the telco? This plan (except the focus on next-generation networks) could well have been written a decade ago.

Optimising capital and operating expenditure would mean that no more capital expenditure on new equipment and using of existing infrastructure either belonging to BSNL or leasing from other telecom players, who in any case are quite large themselves. In 2009-10, BSNL invested Rs 28,227 crore in fixed assets. In 2008-09, this figure was Rs 8,613 crore. This is technically possible but may call for considerable organisational and political will, which may or may not be there.

BSNL has 90 million cellular & 5 million wireless local loop (WLL) customers. In basic services, BSNL claims to be miles ahead of its rivals, with 24.58 million wireline phone subscribers, or 72 per cent share of India's wireline subscriber base. Though the fact is that more people are these days switching from landlines to mobile phones.

Employee costs are skyrocketing. And, this is not to highlight the problem with BSNL so much as with most state-owned public sector undertakings. For instance, medical expenses of Rs 548 crore this year — a figure that was Rs 484 crore last year.

Not a very healthy organisation for sure. But, on the other hand, with some 357,000 personnel (including 225,522 staffers and 56,113 executives), you can only expect a large medical bill. This is not to attack the medical expenses as such, since there might be other organisations with equally large, if not larger, bills. Not to mention, at Rs 1,399 crore, a pretty large pension bill too. Incidentally, there are two sets of figures for employee strength on BSNL's corporate website.

Privately run Reliance Communications, on the other hand, has approximately 28,000 employees. Vodafone has close to 84,000, but that's for the global company, which turned in revenues of Rs 355,000 crore last year.

Now, look at the break-up of revenue (see table). You see that revenue has dropped in critical areas like landline telephones and cellular. The silver lining, of course, is in broadband, leased lines and receipts from other operators. Hence, the focus on broadband in the DoT statement. It's not clear whether it's a good idea to force all government organisations to go with BSNL, without any other choice. In a non-monopoly consumer business, a move like this fuels and perpetuates inefficiency, as does the policy of ensuring all government employees mandatorily fly Air India.

Improved customer care, service delivery, service assurance and revenue management are not exactly a response from a company in the doldrums. The migration to next-generation networks and data usage is where the opportunity, perhaps, lies. And, given that broadband requirements are getting bigger, which means an increased reliance on cable or copper to deliver it, BSNL has some advantage. That does not save an organisation reeling under such high costs in an environment where most operators are literally slashing each other's throats.

The point is that there is nothing in the steps outlined by the government that suggests this behemoth can be saved.

If anything, there seems a little apparent recognition of the mess. Extrapolate this situation to Air India and you have a similar mess to deal with. To be fair, BSNL has a big chunk of gross fixed assets (of over Rs 132,243 crore as of March 2009). It's not possible that this figure would not have changed much in about three years. But, like sister company MTNL, converting those assets into anything liquid will be a mighty challenge.

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