

“Losses can be reduced by increasing productivity”

{K2Splitter} With a strong plan of action for 2012-13, Bharat Sanchar Nigam Limited (BSNL) is taking steps to regain lost ground. The operator is betting big on broadband services and the enterprise segment as well as focusing on network expansion, capacity addition and strategic moves to improve its financial position.

R.K. Upadhyay, chairman and managing director, BSNL, talks about the company’s plans, key focus areas and strategies going forward.

Excerpts...

What are BSNL’s plans for 2012-13?

We are aiming at retaining and increasing our market share in the broadband, mobile and value-added service (VAS) segments. We have prepared a plan to strengthen our wireline customer base. In a nutshell, we are looking to increase our top line and bottom line in 2012-13.

Also, BSNL intends to install 15 million GSM lines. Leveraging our 3G services and launching new VAS offers and tariff plans is another priority. We currently offer 3G services in 963 cities and to ensure high service uptake going forward, the company will offer applications such as movie and game downloads, and video-on-demand. We are also looking for a strategic partner for launching innovative 3G services.

Moreover, the company plans to leverage its CDMA network. We are looking to increase the uptake of our data cards, which is expected to generate significant revenues for this network. BSNL plans to hire a consultant to help it monetise this network effectively.

On the wireline front, we are aiming to expand coverage to new towns, cities and townships by expanding our copper and fibre networks. We have completed the underground copper cable procurement process for almost all sites and the delivery process has begun. So, we hope this will give our landline services a boost.

The enterprise segment is another key focus area for the company. We have registered 30 per cent growth in this segment over the past year and plan to replicate this growth in 2012-13. BSNL has undertaken an enterprise resource planning (ERP) project, which is aimed at centralising operations countrywide.

The company will also be looking for long-term project financing from various banks and financial institutions.

What steps are being taken to reduce financial losses?

BSNL plans to increase its revenues and maintain or reduce operational costs during 2012-13. We can reduce losses only by increasing productivity and improving our top line. Once this is achieved and we are able to manage our expenses efficiently, our bottom line will improve. However, certain expenditures are beyond our control. These include employee-related costs, and spectrum and licence fees. Costs related to energy consumption are also increasing, irrespective of whether diesel or electricity is being used. This is a major expense for BSNL, given our large rural footprint.

What is the company's strategy for 3G services? What has been the experience in terms of service uptake?

So far, our strategy has been to ensure that our 2G customers are 3G enabled. To avail of 3G services, our customers need to either use a dual-mode handset or a smartphone. BSNL was the first operator to launch 3G services in its areas of operation. The response has been reasonable. Our aim is to expand service coverage.

This can be achieved by improving 3G-based VAS such as video calling, movie streaming, and education and health services. Globally, VAS is the main revenue source for operators offering 3G services. We are trying to replicate this model. The uptake of 3G services will increase only if the customer feels that innovative VAS is available, which is accessible via 3G only. Further, 3G-based VAS and entertainment-based applications will be crucial for service uptake.

Other applications that would drive 3G growth include high speed data download. These services and the supporting ecosystem need to develop in a big way in the Indian market. The segment has already witnessed growth. For example, 3G networks are being used in some areas for providing services such as telemedicine, tele-education and e-commerce. However, more companies need to provide these services.

What are the company's investment plans for 2012-13?

BSNL is investing significantly in all service segments. We will spend about Rs 40 billion on mobile network expansion. We plan to convert our landline telephone exchanges, which are digital electronic exchanges, into next-generation networks (NGNs). We operate 27,000 digital telephone exchanges across the country, of which 26,000 are located in rural areas.

These rural exchanges are largely based on technology provided by the Centre for Development of Telematics (C-DOT). We are partnering with C-DOT to convert these exchanges into NGNs. The remaining 1,000-odd exchanges are new technology exchanges. We have floated a tender to convert them into IP multimedia subsystems-based NGNs.

The urban project will involve an investment of Rs 5 billion-Rs 6 billion in the first phase. Mobile expansion, NGN conversion and expansion of the landline network will account for the majority of our capex.

What are BSNL's plans on the rural telecom front?

BSNL has the largest rural footprint. We have covered almost all habitations through village public telephones. Over 400,000 villages are availing of wireless local loop (WLL) services and more than 350,000 are using GSM services. BSNL offers broadband services in over 170,000 villages. However, the provision of these services involves high costs.

Moreover, the central government has launched the National Optical Fibre Network project,

which aims to connect 250,000 village panchayats. BSNL will play a major role in this project.

What are the biggest challenges for BSNL?

Our performance in the mobile and broadband segments has been satisfactory, but the continuous decline in the wireline subscriber base is a key concern. BSNL is maintaining more than 28,000 rural exchanges, which are not commercially viable – the cost of operating rural exchanges is much higher than the revenues generated from the business.

To compensate for the losses in the fixed line business, BSNL would like to improve broadband revenues by increasing its footprint and by providing a large number of value-added services through this platform. Managing our employee costs is another major issue. However, surviving in a hypercompetitive environment, striving for improved service delivery and increasing sales are challenges that are common to all operators.

What steps is BSNL taking to stem the loss of wireline subscribers?

BSNL is upgrading its wireline network by introducing NGN technology. This will not only reduce operational costs and improve efficiency, but also centralise the operation of the entire fixed line network.

The introduction of NGN will facilitate the launch of wireline-based VAS. We are providing services such as personalised ringback tones, prepaid facility and fixed mobile convergence to wireline customers. Initiatives are also being taken to reduce the fault rate in wireline services by introducing pole-less networks at outdoor sites and replacement of drop wire as per requirement.

What are the company's plans to drive broadband growth?

With a market share of over 64 per cent, BSNL is the largest internet service provider in the

country. We are providing broadband on wireline (ADSL 2+) and fibre-to-the-home (GPON/GEPON) wireless broadband on the WLL, EVDO, 3G and 4G (Wi-Max) platforms. BSNL has a presence in almost all district and block headquarters.

To encourage consumers to adopt broadband as a service, the company is bundling computers with broadband services. We are also providing a range of VAS under various schemes. BSNL is offering low broadband tariff plans in rural areas (without any registration fee or advance deposit). The operator is also providing free broadband modems to rural customers in association with the Universal Service Obligation Fund administration.

What are the future revenue streams for the company?

Since 2011, BSNL has made its towers accessible to private operators for sharing and significant progress has been made on this front. The company has tied up with most of the leading operators for renting out its mobile tower slots.

BSNL has also floated a tender for companies to avail of the high bandwidth available on its network. This can be utilised by other operators for service launch and expansion. The company is planning to monetise other infrastructure like land and buildings to generate additional revenues.

BSNL has been facing a severe capacity crunch for some years. What is the company's plan for capacity addition in 2012-13?

We plan to add capacity on the GSM, fixed line and broadband networks. We have placed orders for broadband and GSM equipment and have floated a tender for NGN for fixed lines. In the past, we could not finalise the tender for our mobile networks due to several legal and commercial hurdles. We hope that the company will not face any capacity crunch during 2012-13 and in the future.

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