

At BSNL, bureaucratic nonsense scores over business sense

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NEW DELHI: Going strictly by the book may cost BSNL losses of \$1 billion while purchasing equipment for expanding its mobile networks. Last month, BSNL board had put on hold its tender for 93 million GSM lines after the Central Vigilance Commission (CVC) launched a fresh probe into the deal, as the anti-corruption body's guidelines forbid post-tender negotiations with successful bidders.

Sweden's Ericsson had emerged as the lowest bidder in the North and southeast zones and was slated to supply the telecom major with about 43 million GSM lines worth about \$2.5 billion. The department of telecom (DoT), too, had earlier asked BSNL not to renegotiate the price with lowest bidder Ericsson since the move would violate CVC guidelines.

But, even as the CVC probe forced BSNL to put on hold the tender, the price negotiations with Ericsson had forced the network major to offer a 40% discount on its bid price. Besides, top BSNL executives said that the telco had entered into extended negotiations with Ericsson since the PSU was pushing Ericsson for a further reduction, and talks on this were at an advanced stage, when the CVC's latest probe derailed the process.

While BSNL executives cannot comment on the development officially, they, however, pointed out that the CVC has missed the fact that such negotiations are part of all major telecom deals. For instance, in the case of BSNL's tender in 2007, post-tender negotiations forced Ericsson to reduce price from \$107 per line to about \$90.

The math is as follows: For the 20-million lines contract in the North Zone along, Ericsson had initially quoted Rs 6,278 crore, but the negotiations resulted in the company first reducing the amount to Rs 4,012 crore, then to Rs 3,913 crore and finally to Rs 3,785 crore. When the CVC probe forced BSNL to put on hold its discussions with the Swedish company, the PSU was in the final phase of talks to reduce the contract price to Rs 3,600 crore or even lower.

Even at Rs 3,600 crore, this would have been 43% cheaper than the initial price quoted by Ericsson. If a similar discount were to be considered for all the 43-million GSM lines that are to be supplied by Ericsson, the savings would be over a \$1 billion.

As reported earlier by ET, the tender for 93-million lines has been delayed for over a year now and BSNL executives said that 'vested interests' are at work behind the delays to ensure that the PSU losses its prominence in the country's mobile space.

Controversies around its tenders have resulted in BSNL not being able to place any significant orders for equipment over the past three years during which the mobile market in India recorded the highest growth globally. This has also resulted in BSNL, which was challenging Bharti Airtel for the top spot in the mobile space in 2006 now being pushed

to the fifth spot after Airtel, Reliance Communications, Vodafone Essar and Idea Cellular. Besides, Tata Teleservices is also poised to overtake BSNL in mobile customers within the next couple of months.