

BSNL opts for franchisee route to reduce costs

At least 5 new projects envisage revenue share with pvt players

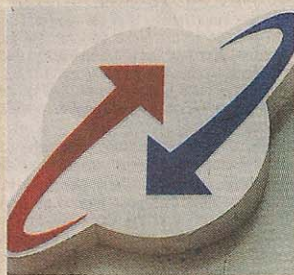
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In a bid to save on capital expenditure and to roll out services faster, Bharat Sanchar Nigam Ltd is taking the franchisee route in a big way for new projects.

The PSU has invited bids from private players for at least five of its projects, including for offering WiMax services, Internet Protocol Television (IPTV) and setting up Internet Data Services.

According to BSNL officials, the company may be saving more than Rs 10,000 crore of capital investment by adopting the franchisee model. Take for example the controversial WiMax project wherein the company is planning to allow a private player in each circle to utilise its spectrum and back haul infrastructure to offer high-speed broadband on a revenue share basis. The franchisee will make all the



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investments required to set up the network and also undertake marketing and sales on behalf of BSNL. It is following a similar business model for IPTV services.

RISKS MINIMISED

According to BSNL officials, this model also minimises risks for the state-owned company especially in areas where the technology or the service being offered is relatively new and untested.

“While we are offering our traditional businesses like mobile, fixed line and long

distance telephony on our own we are seeking private participation for new services like IPTV and WiMax-based services where we are yet to see an uptake in demand across the world. In the franchisee model, we let private entrepreneurs take the risk,” said a BSNL official.

Most of the deals being worked out by BSNL include transfer of business operation to the PSU after a certain period of time which means that if the service does succeed then BSNL gets to

run the show at a later date.

BSNL is also now slowly beginning to use private players in marketing and sales activities. It has recently sought expression of interest from large retail chains to sell BSNL products and services over their counters.

PRIVATE OPERATORS

The trend is in line with what private telecom operators are doing. Most big players such as Bharti Airtel have outsourced most of their operations to third party vendors. While BSNL being a Government-run company cannot outsource its operations to a private player, it is using the franchisee model to create efficiency in its operations.

BSNL officials said that depending on the successes of these projects which have been launched the PSU will evaluate further opportunities to partner private players on a franchisee model.