BSNL plans fresh tender for 50-m cellular lines

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NEW DELHI: State-owned BSNL is working on a new GSM tender for 40-50-million cellular lines, the company executives with direct knowledge of the developments told **ET** . Last week, following a string of controversies, the BSNL board had decided to cancel its $10-billion tender for 93-million GSM lines, the largest ever telecom equipment contract globally.

This 93-million lines tender was issued in 2008, but a combination of factors ranging from controversies, court cases, the government intervention and probe by vigilance authorities, all ensured that BSNL had to cancel the tender thereby seriously impacting its expansion plans. The BSNL board is slated to meet this week, maybe as early as March 10, to discuss the proposal to float a new tender, added the company executives.

This time around, BSNL aims to complete the new procurement process within a 60-day period from the date of issuing the tender, and plans to do away with several controversial clauses that plagued its earlier tenders. For instance, BSNL is likely to do away the standard clause in all PSU tenders, which state that the contract must be divided between the two lowest bidders — L1 and L2 — and may award the entire deal to a single firm, the company executives added. Additionally, BSNL may also include a clause, where it can place additional orders of up to 100% of the tender size with successful bidders.

A contract for 40-50 million lines will serve the telco for the next 24 months. On Monday, junior minister for communications and IT Gurudas Kamat told the Lok Sabha that BSNL planned to provide 20 million GSM lines in 2010-11. With BSNL looking at similar growth rates for the next few years, the provision for placing additional orders with the winner will enable the telco to address its capacity requirements for the next four years.

But, a member of the BSNL's board told **ET** that a 'new tender was not necessary since BSNL could give additional contracts to existing vendors, who had won the Phase-V of the company's 2006 tender'.

"There is no capacity constraints in the south and west regions. For the north and east zones, the telco can look at continuing with the Phase-V of its 2006 tender. Here, BSNL has placed orders for only 13 million lines, while the tender was for 23-million GSM lines. This contract also had a clause that BSNL could place additional orders of 50% of this tender.

This adds an additional 12-million lines. So in total, BSNL can place orders of 22-million GSM lines under the earlier tender," added the BSNL board member. This tender stipulated that BSNL split the contract the two lowest bidders — Ericsson and Nokia Siemens Networks (NSN) — in the 60:40 ratio. It also added that L2 match the price of lowest bidder.

But, Nokia Siemens Networks walked away from the deal, as it did not want to match the price at which BSNL had awarded the contract to Ericsson. As per the tender conditions, NSN was to have supplied 9.63-million lines for $954 million.

Another top BSNL executive, however, said that the telco did not want to place additional orders under the Phase V of the 2006 tender, especially with 'a network vendor that failed to supply equipment and walked away from the deal'.