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BSNL, MTNL revival: Top bureaucrat-headed group seeks legal view on 4G, time-bound assets monetisation to fund VRS

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Muntazir Abbas | ETTelecom | Updated: July 04, 2019, 14:08 IST

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NEW DELHI: An inter-departmental committee headed by the cabinet secretary Pradeep Kumar Sinha has proposed an examination of “legal impact” for the allocation of fourth-generation or 4G airwaves to the stressed public-owned Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL), and recommended a “reduction of employee strength in a cost-effective manner” from “time-bound monetisation” of land assets, mobile towers and fibre footprint,



In a high-level meeting attended by telecom secretary Aruna Sundararajan, public enterprises secretary Seema Bahuguna, corporate affairs secretary Injeti Srinivas, expenditure secretary Girish Chandra Murmu, Sinha has asked the Department of Telecom (DoT) to work out proposal to reduce the staff strength of the two firms in the most cost-effective manner possible, for which funds could be mobilised through monetisation of assets.

Over the past few years, the Narendra Modi-led government is looking at ways to reduce the financial stress of the state-controlled telcos and allocate next-generation of frequencies to commercially launch high-speed 4G services, which is also leading to a drop in their revenue.

Both BSNL and MTNL plagued with high expense ratio between wages and revenue

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due to the excess number of employees were asking the government to allow revival package to stay afloat in a cut-throat competitive sector.

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BSNL has the highest number of 1,63,902 employees that include 46,597 executive and 1,17,305 non-executive as on March 31, 2019, and it spends nearly 75% of its revenue towards maintaining headcount while private sector rivals expend less than 5% of their income on human resources.

The telecom department has also proposed bringing down retirement age from 60 to 58 years.

The committee has said that, "administrative allotment of 4G spectrum to BSNL and MTNL may be considered after examining legal implications," according to a note seen by ETT.

The development, however, could further delay the commercial launch of 4G services by the two public sector telecom operators.

In 2012, the Supreme Court, while quashing the 122 licenses, noted that transferring or alienating the natural resources, the state is duty-bound to adopt the method of an auction by way of a non-discriminatory method.

The non-availability of 4G airwaves at a time when the private sector is closer to embrace 5G technology is bleeding the companies further as subscribers desert the state-run carriers for rivals, putting their revival at risk.

"Since, the market is content-driven, access to 4G spectrum is essential for the competitiveness of BSNL and MTNL," Sundararajan told the panel.

The administrative cost for the allocation of 4G radio waves to BSNL is pegged at Rs 14,000 crore and Rs 6,000 crore for MTNL, with Goods and Service Tax (GST) included.

The telecom department, however, presented three strategies which included disinvestment which it believed would be a difficult task due to high staff strength and already-debted private sector which may not find public-owned telcos attractive enough, and the process would be time-consuming and requires cash infusion in the interim.

The second possibility, according to the department, would be to close down BSNL and MTNL which according to it would entail an expense of Rs 1.5 lakh crore to meet the voluntary retirement scheme (VRS) for the entire staff and repay debt, and it added that such a scheme could be challenged in the court requiring the government to defend the decision.

However, telecom and law minister [Ravi Shankar Prasad](#) in the Parliament last week said that there was no proposal to shut down BSNL and MTNL, and a comprehensive plan for their revival was underway.

The department, to the Sinha-led panel has also proposed a third option of reduction in manpower and equipping the two state-owned telcos to compete with private players, as a part of future approach towards sick companies.

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Meanwhile, Murmu opposed any financial backing to state-run telcos, and told the panel that any upfront support to BSNL and MTNL would be a huge burden on the budgetary resources of the government.

To fund VRS and repay debt, the value of BSNL and MTNL land and building assets are estimated at Rs 1 lakh crore and Rs 40,000 crore respectively. The fibre-optic network, according to the department could fetch Rs 42,000 crore to BSNL and Rs 300 crore to MTNL, and towers are likely to garner Rs 10,000 crore and Rs 200 crore respectively.

Both BSNL and MTNL have the industry-lowest debt levels at Rs 14,000 crore and Rs 20,000 crore respectively.

The average revenue per user for the two public telecom units are at Rs 38 while the industry's average is at Rs 70 per month, according to the telecom department's statistics.



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S Gopal • 4 hours ago

The panel should also discuss the fallout of closing down MTNL-BSNL combo with regards to competition in the telecommunications sector. With the exit of the combo, the wireless operators will be reduced to a mere three leading to an imperfect competition scenario thus an oligopoly will occur in a critical sector such as telecommunications.

In the wired sector, things are lot more grave, since BSNL remains the largest wired Internet Service Provider apart from the largest landline service provider with more than half of all wireline connections provided by BSNL. The combo has a market share of two thirds (66%) in the wireline sector as per TRAI's latest publication.

Who will substitute for the combo in the wireline sector? TRAI has already stressed that India has way too many mobile handsets and way too little spectrum coupled with the unhealthy scenario of the landline sector (wired telephony as well as wired internet services) not growing at the rate at which consumers are becoming data hungry.

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movieman → S Gopal • 3 hours ago

Congress built BSNL from scratch and Modi has destroyed it in 5 yrs. That's what they did in 60yrs and he did in 5yrs.

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Mohan Lal • 4 hours ago

Wouldn't it a loss of experienced, intellectual and most faithful staff to BSNL if retired on VRS or by reduction in retirement age to 58

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Bhoopendra Singh → Mohan Lal • 4 hours ago • edited

As expected, no concrete step taken for revival. Revival and its hype is going round in the corner in media only and an atmosphere is being created by Government that it is giving the Huge bail out of 79000 Crore to BSNL so that the counter argument/voices may become strong which suggest not to give single penny to ailing/non performing PSUs . Government has never given a single penny to BSNL from Public exchequer and nor it will give but it is attempting to garner the public support for selling the PSU so that its precious assets may be sold in through away prices.

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