

# BSNL-MTNL merger a distant dream synergy possible

The Department of Telecommunications (DoT) plans to soon finalise policy decisions, required to enable state-run telecom firms Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL) to synergise their operations without a merger.

An apex committee under DoT Secretary R Chandraskehar has been set up to oversee the required policy decisions and institutional framework for an alliance between the two public sector undertakings which have been incurring losses.

Another permanent committee has been formed to prepare a suitable plan for implementation of the report by an earlier committee in a time bound manner which has favoured synergy between the firms. This committee would report to the apex committee, which would provide overall guidance and direction, a senior official from DoT said.

However, the merger has been put on hold now because of various issues. The synergy would allow these firms to cut costs with their falling revenues and profits. It would also allow their subscribers to roam freely on each other's network, with the exception of interconnect charges. Interconnect charge is paid by one operator to another operator for connection of calls in that network. The synergy among other firms including ITI, CDoT and TCIL with BSNL and MTNL will also be explored. The decision on the synergy is expected soon, the official added.

Since the last three-four years, DoT has been considering the merger to allow them to work as one seamless organisation. But due to stiff opposition from the unions and other glitches such as MTNL being a listed company, the proposal was put on hold. BSNL and MTNL had last year started discussions on synergising their operations in the enterprise segment.

BSNL had posted a loss of Rs 1,823 crore in the financial year 2009-10. One reason for the decline was 49 per cent of the revenues went towards staff salaries. The company's plan for giving voluntary retirement scheme (VRS) has been pending with DoT. The need to reduce workforce was first mooted by Sam Pitroda, advisor to the Prime minister on infrastructure, who had suggested BSNL should reduce its employee base by about 100,000, with schemes such as VRS.

MTNL has also been posting losses since quite some time now, due to retirement benefits, high wage bill and dipping revenues as there is a stiff competition going on in the telecom industry. It has asked DoT to clear a VRS which will be offered to about 15,000-20,000 employees.

The proposal has already been cleared by the MTNL board, and is awaiting nod from the DoT.

The scheme will require the company to make a one-time payment of Rs 2000-3000 crore and MTNL has asked the DoT to help them financially to implement the scheme.

Communications and IT minister Kapil Sibal had taken a keen interest in the functioning of MTNL and other loss making state-run telecom PSU BSNL and is confident of turning around both the PSUs and has directed the department of telecommunications (DoT) to review the performance of both the firms on a monthly basis.