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DoT revives BSNL-MTNL merger plan

Yuthika Bhargava

The two firms can together offer common plans for customers on the same lines as competitors

The Department of Telecommunications (DoT) has revived its proposal to merge loss-making MTNL and Bharat Sanchar Nigam Ltd. (BSNL). “Merger of BSNL and MTNL into a national telecommunication services company may be considered for strategic and operational synergies,” the DoT has said in a note to the Group of Ministers (GOM), headed by Finance Minister P. Chidambaram.

The unaudited financial results for 2012-13 indicate that BSNL would make a loss of about Rs.8,198 crore, while MTNL recorded a loss of Rs.3,335 crore for the April-December 2012 period.

According to the DoT, MTNL and BSNL face tough competition from pan-India operators as the latter is in a position to extend benefits to enterprise and business customers, whereas BSNL and MTNL are not able to offer a similar dispensation.

“Therefore, a decision on the framework of the PSU licences for considering the networks of BSNL and MTNL as a single entity for provision of services is to be considered and that the payment of charges on account of inter-connection... are avoided,” it said.

Further, it added that the two firms could together offer common plans for customers on the same lines as competitors. Through the note, the DoT has proposed short-, medium-, and long-term strategies to “revive and revitalisation” of the two state-run telecom companies.

As a part of the proposal, the DoT has also pitched for support for implementation of voluntary retirement scheme for one lakh BSNL employees and 20,000 employees of MTNL to reduce staff cost. The employee cost as a percentage of revenue is over 103 per cent for MTNL and 49 per cent for BSNL compared to the industry average of about 5 per cent, DoT said. The Department has also suggested that government institutions and employees should be asked to use telecom services only from the two PSUs. It has said that reimbursement facility provided to government employees may be made applicable only if they take connection from BSNL or MTNL.

Other measures proposed include surrender with refund of BWA (broadband wireless access) spectrum held by BSNL and MTNL, paying Rs.5,925 crore to MTNL as a one-time amount towards settling its pension liabilities, among others.

Keywords: [BSNL-MTNL merger](#), [Department of Telecommunications](#)