

Poke Me: Why BSNL & MTNL should be revived

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Harsh Chitale



Government-owned enterprises such as MTNL and BSNL have played a crucial role in the development of telecom infrastructure, prior to the emergence of private players, says Harsh Chitale of HCL Infosystems.

The recent formation of the Group of Ministers to revitalise Mahanagar Telephone Nigam Ltd (MTNL) and Bharat Sanchar Nigam Ltd (BSNL) is an important step not only for these two organisations but also for the nation. In the last two decades, telecommunication has emerged as a key driver of socio-economic development. From ensuring the spread of quality education to all corners of India to making affordable healthcare possible through telemedicine; from facilitating inclusive growth through mobile banking or business correspondent networks, to taking citizen services to each panchayat through various e-governance projects - everything seems possible today thanks to the power of a robust [telecom infrastructure](#) that has been built up in India over the last few decades.

Government-owned enterprises such as MTNL and BSNL have played a crucial role in the development of this infrastructure, prior to the emergence of many strong private-sector players. In recent years, while the growth of consumer subscriber base has largely been driven by private-sector telcos, MTNL and BSNL have continued to spearhead network building in areas of strategic importance. BSNL leverages its vast pan-India network and accounts for 80% of landline and most of the wired broadband connections. It was instrumental in creating rural connectivity at affordable rates. BSNL also plays a crucial role in the implementation of communication networks for defence forces: today the modernisation of these networks is a matter of strategic interest as well as of urgency.

MTNL services two of our most advanced metros - Delhi and Mumbai -- where most of our business houses are situated. MTNL was also the first to introduce the concept of affordable broadband. BSNL and MTNL are also jointly executing the [National Optical Fibre Network](#) (NOFN) and are also helping in building the National Knowledge Network that will help in the sharing of knowledge across universities and colleges. Overseen by the [Bharat Broadband Network](#) (BBNL), the NOFN project is aimed at bringing optical fibre connectivity to 250,000 gram panchayats, thus integrating them better with the economy and easing the delivery of government services.

Today while we are talking of 4G experience for high-end consumers, it is important to think of connectivity to our villages in the same breath. To put the issue in context, recent reports have suggested that the percentage of people accessing the internet in rural India is below 5%. Increasing connectivity in rural India requires dedicated effort as well as some serious investments. It calls for capital expenditure in far-flung regions, which may not be a commercially viable proposition, certainly not to begin with. So only institutions like BSNL can play an effective role in providing an enabling network infrastructure in remote parts.

Despite spearheading such an important agenda, these two public-sector telecom giants are grappling with a financial crisis now. Till four years back, both BSNL and MTNL were in the pink of financial health. However, spectrum licensing fees and intensely competitive market pressures have taken a toll on these institutions. MTNL is making a loss of close to Rs 1,000 crore every quarter for the past many quarters and at the current run rate of loss, its net worth is likely to be completely wiped out in two quarters.

BSNL is expected to incur a Rs 10,000 crore loss in FY12-13 on top of around Rs 15,000 crore losses in the two previous years. With stressed financials, both BSNL and MTNL are reported to have delayed significant payments owed to their various vendors and subcontractors and there is a growing reluctance among various network and technology-service providers in offering their equipment and services to these organisations, as observed in the last few procurement tenders released by these corporations. This concern has also been expressed by various industry bodies like CII National Committee on Defence and the Manufacturers' Association for Information Technology. As a result, implementation of many of our strategic projects such as the defence networks, NOFN and the National Knowledge Network, is in danger of running into delays. There is also a risk to proper operations and maintenance of some of the existing networks. In this context, the measures,

including fund infusion, which the Group of Ministers may recommend will be crucial.

There is no denying the fact that all public organisations need to operate efficiently and deliver quality services at affordable rates and BSNL and MTNL would need to continuously keep innovating to be able to do so. At the same time, certain nation-building infrastructure initiatives, which they are engaged, needs to be looked at differently, beyond quarterly or annual accounts of profit and loss. Government needs to step in. Any support that the government provides to organisations such as BSNL and MTNL has to be seen in the context of the role they play in the development of the nation. They should be seen as enablers of a new knowledge economy and of inclusive growth.

I am a strong proponent of free-market economy and do believe that well regulated but unhindered competition between players working within the "same rules of the game" drives better outcome for all stakeholders – consumers, investors and the state. However, the case of BSNL and MTNL is a bit different. On one hand, they get drawn into many projects of national importance (but not necessarily with immediate commercial viability). On the other hand, they are straddled with government procedures in procurement, in getting their projects approved, HR policies and so on. As a result they are not allowed to have the flexibility and agility that other private operators enjoy. Any (losing) bidder can complain against the procurement process and bring the procurement of even critical equipment to a standstill, as was seen in the GSM network expansion tenders of BSNL. Hence it is unfair to extend the yardstick of commercial performance to these organisations. It is time the government decided if these organisations are to be treated as any other commercial concern (and then given full flexibility and freedom as any other private operator) or whether these are state arms and then be funded accordingly. Unfortunately, right now they seem to be stuck in the middle.

The writer is CEO of HCL Infosystems

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