

Time to merge BSNL and MTNL, says DoT

Thomas K Thomas

Seeks approval for reviving both PSUs

New Delhi, May 8:

The Department of Telecom has reinitiated the move to merge Bharat Sanchar Nigam Ltd and Mahanagar Telephone Nigam Ltd, in a bid to streamline operations and improve profitability.

Note sent to EGoM

In a note prepared for the consideration of the Empowered Group of Ministers headed by Finance Minister P. Chidambaram, the DoT has said that both PSUs face competition from pan-India operators who are in a position to extend benefits especially to enterprise and business customers, while BSNL and MTNL are hampered by their inability to offer a similar dispensation.

“Merger of BSNL and MTNL into a national telecom service company may be considered for strategic and operational synergies,” stated the DoT note to the EGoM. This is part of the telecom ministry’s plans to revive the two telecom companies. The unaudited financial results for 2012-13 indicates that BSNL would make a loss of Rs 8,198 crore, while MTNL recorded a loss of Rs 3,335 crore up to December 31, 2012.

MTNL’s net worth is likely to be eroded completely in the first quarter of 2012-13, while BSNL’s net worth is in excess of Rs 50,000 crore, most of which is locked in fixed assets. “The employee cost as a percentage of revenue is over 103 per cent for MTNL and 49 per cent for BSNL against the industry average of less than 5 per cent,” the DoT note said.

Therefore, DoT has proposed short-term and long-term strategies to help the two PSUs fight competition from the private players. This includes paying Rs 5,925 crore to MTNL as a one-time amount towards settling its pension liabilities. Pension contributes 86 per cent of the salary costs at present and is expected to exceed salary costs by 2014-15.

DoT has also backed BSNL’s Voluntary Retirement Scheme to reduce the workforce by one lakh people.

DoT said the VRS can be funded through various options, including from the money generated by selling land owned by the company or through interest-free loans by the Government. The department has also suggested that Government institutions and employees should be asked to use telecom services only from the two PSUs. “Reimbursement facility provided to Government employees may be made applicable only if they take connection from BSNL or MTNL,” DoT said.

This is not the first time that the DoT is trying to embark on a plan to revive the two telecom PSUs. The proposal to merge the two companies was floated few years back, but it was put on the back burner after issues related to delisting of MTNL shares and employee parity was raised.

A committee headed by Sam Pitroda, Advisor to the Prime Minister, had also suggested a number of things including hiving off the telecom companies infrastructure into a separate unit to unlock value. But all these efforts have either gathered dust to lack of political will or due to strong opposition by the workers union.

It is not clear how the DoT will push through with these proposals.

thomas.thomas@thehindu.co.in

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Vijaykumar Tarwala - Technical Author, Usability, User Experience, Accessibility, UX/UI Design, Responsive Design, Training, ITIL

Lets hope that this planned merger between BSNL and MTNL serves good for our Indian economy and helps the two telecom giants come out of their debt situation, gain revenues, and in turn help the population gain benefits for the ever expanding and penetrating telecom sector.

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Anthony

MTNL should be shut and BSNL should take over all MTNL operations. If they merge we will see that same scenario like AI & IA merger with each set of employees having different pay scales etc and huge losses and no gains.

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Ramachandran G

Government wants to take up a herculean task of merger of these two entities that have critical differences in the way they have been formed earlier. It is easier said than done! However for the survival of these two companies in the competitive market, it is better for Government to give these organisations a stable workforce at the top who are willing to contribute and provide necessary support for the uneconomical social objectives that are met by these companies . VRS should be the last option as these companies still hold their forte in land line services despite heavy surrenders and it requires man power for maintenance otherwise this will have a negative impact on the organisations. If Government is serious about bringing performance improvement in BSNL and MTNL, for bringing them out of the RED they are in, it is better it acts fast in deciding the ITS absorption process and settle all the seniority disputes by adopting a positive posture in the court cases rather than delaying and not implementing judgements. These kind of approach demoralises the workforce as there are no promotions inspite of huge number of vacancies. Comparing this organisations by way of wages paid Vs revenue earned is also not correct since all the other service providers follow a different business model Viz. revenue share , franchisee for sale, etc.,

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yhtrum

ITS fraternity those who are working in BSNL and MTNL and are not absorbed are totally in mindset of going out of both companies and are allways thinking of applying for foriegn deputation and going out and they pretend that they are working for both the companies and totally living for their personnel survival.Because they feel that they are equal to their couterparts in IAS.But in no way they are not at all comparable . Because they totally lack any managing capacities except a very few that too a meagre 5% of total strength.So Governement should strictly and early decide to either sent them out or let the companies go to dogs.

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neha

1. Unwarranted hiring of senior management from unwilling ITS fraternity resulting in demoralising the other 5,500 Executives. MTNL does not own its Senior Most Executives looks strange but a hard fact. 2. Failure to recognize its Human Recourses, the most valuable and prized possession of the company & neglected its highest cost. 3. Counterproductive Human Resources Practices is big dent in MTNL's Performance and Efficiency. Stale and outdate Employees Policy & Rules have lost objectives. Failed Performance Appraisal process is demotivating the Human Resources and hindering Organisational Development 4. Failure of HR Unit in Developing Human Resources & dearth of Career Progression Provisions for Executives & step motherly treatment vis a vis ITS demotivating them. 5. Prejudiced and alien treatment to otherwise adapted & reformed spirit of MTNL Executives Association. Lack of trust is major hindrance for confidence building. 6. No Director Sales & Marketing in MTNL Management Board otherwise also unprofessional management. 7. Growing Indecisiveness and inclusiveness at senior management level & Inconclusive Service Delivery System. Continued use of unsound Management Policies, Stale Work Practices 8. Performing at lower operative efficiencies the sole reason of dwindling financial position. Lack of Strategic Planning and incoherent functioning & Lack of Coordination & Synchronization in working of different units

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