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## DoT revives BSNL, MTNL merger plan

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The department of telecom (DoT) has revived an earlier move to merge state-run telecom service providers Bharat Sanchar Nigam Ltd (BSNL) and Mahanagar Telephone Nigam Ltd (MTNL), in a bid to streamline their operations and improve profitability.

The department has in a note to the empowered group of ministers headed by finance minister P Chidambaram, has said both PSUs face competition from pan-India operators.

According to DoT, because of separation of regions of operations BSNL and MTNL are unable to extend benefits, especially to enterprise and business customers, the way private telecom firms offer.

"Merger of BSNL and MTNL into a national telecom service company may be considered for strategic and operational synergies," the DoT said in its note to the EGoM.

This telecom ministry had earlier proposed merger of the two telecom companies in order to streamline their operations and make them profitable.

BSNL is expected to report losses to the tune of Rs8,198 crore in fiscal 2012-13, while MTNL recorded a loss of Rs3,335 crore up to 31 December 2012.

MTNL is reported to have completely eroded its net worth in the first quarter of 2012-13, while BSNL's net worth is in excess of Rs50,000 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.

DoT has proposed short-term and long-term strategies to help the two PSUs fight competition from the private players. This includes paying Rs5,925 crore to MTNL as a one-time amount towards settling its pension liabilities, which account for 86 per cent of the salary costs at present.

DoT has also backed BSNL's voluntary retirement scheme to reduce the workforce by 1,00,000, which may be funded through money generated by

selling land owned by the company or through interest-free loans from 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.

Meanwhile, a committee headed by Sam Pitroda, advisor to the prime minister, had suggested a number of things, including hiving off of the telecom companies' infrastructure into separate units to unlock value.



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