Dealing with BSNL and MTNL

What is the issue?

- The state-owned telecommunications firms, BSNL and MTNL, are under considerable financial strain.
- In this context, here is a look at the causes and the possible measures out.

What is the status of the two firms?

- Only Rs 100 crore was set aside as direct budgetary support for these two major firms in the last Union Budget.
- But, they were supposed to raise over Rs 15,000 crore through internal and extra-budgetary resources.
- E.g. BSNL, in 2018-19, made a loss of almost Rs 14,000 crore, taking its accumulated losses to over Rs 90,000 crore
- The company has almost 170,000 employees whose wages consume 77% of its revenues.
- Both BSNL and MTNL have long been a drain on the public exchequer and on the state's borrowing capacities.

What has caused this?

- Many factors can be blamed for this situation, including government policy decisions of the past.
- The entry of Reliance Jio has in addition made things difficult for all legacy players.
- But, above all, the decline of the public-sector telecom majors is due to structural changes in the business itself.
- The telecom sector is increasingly a service-based business.
- This means that private-sector companies have an inherent advantage over even public-sector ones with the softest of budget constraints.
- Given all, there is little reason to imagine retaining BSNL or MTNL in their current state.

Is revival a feasible option?

- The companies and their associate Union departmental bureaucrats have argued that it is cheaper to revive them than to shut them down.
- In BSNL's case, getting the 170,000 workers off the payroll through

voluntary retirement schemes and the like would cost Rs 95,000 crore.

- In contrast, a revival package would cost lesser.
- However, it is also argued that not all the public-sector workers need to be treated the same way.
- Some can be re-absorbed in other public-sector enterprises or the government, which is short of manpower in many key areas.
- Also, many others would be close to retirement anyway.
- On the other hand, the revival plan is not very feasible as losses would sharply narrow beginning 2 years from now.
- Consequently, BSNL would be in a poorer state by 2024.

What is to be done now?

- As with the Indian PSUs, the extensive network infrastructure that has been developed has to be given the due importance.
- This is to be seen in distinction from the tarnished brand name or the burden of employee rolls.
- The former (infrastructure) can, certainly, not be ignored.
- E.g. the Bharat Fibre network has more than 800,000 km covered
- This is more than Vodafone-Idea, Bharti Airtel, and Jio put together.
- Worryingly, it is severely under-utilised and undervalued at this point.
- Significant national savings would be involved in ensuring that this network is not duplicated by private-sector investment.
- Thus, the emphasis on the PSU telecom majors must be on how their assets can be sold.
- This is to ensure higher productivity, and see how their manpower can be absorbed elsewhere where necessary.

Source: Business Standard

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