Context:

Union Cabinet approves revival plan of Rs.70,000cr BSNL and MTNL.

Revival plan:

1. Allotment of spectrum for 4G services for Rs.20,000cr
2. Debt restructuring by raising of bonds with sovereign guarantee.
3. Reducing employee costs through Voluntary Retirement Scheme.
4. Monetisation of assets.
5. In-principle approval of merger of BSNL & MTNL.

Crisis:

For some time now, BSNL is trying hard to sustain itself in a competitive market and was willing to accept what the government decides.

The government was in a Catch-22 situation wherein it had to decide between survival of BSNL/MTNL on one side and safeguarding the interests of employees.

Challenges faced by PSUs:

Overstaffing: BSNL has a huge employee base of 1.66 lakh and MTNL 21,679. Private players have just 25,000-30,000 employees across India.

Huge expenses: About 60% of BSNL’s revenues go towards managing employee expenses, while for MTNL it is around 87%.

Increased competition: Triggered after entry of Reliance Jio in September 2016. PSUs failed to keep up with the change. The low data tariffs with free voice calls impacted the industry as a whole and not just PSUs.

The survival of the PSUs was largely dependent on the attitude of its employees, who could not approach a professional attitude with the change in times.

Excessive interference by the Department of Telecommunications.

What can be done?

If the government is agreeable to an upgrade of its management, and to bring in a commercially driven partner who can leverage the massive resources of the PSUs and generate revenues, then the revival package would be worth it.

Both the firms, especially BSNL, have huge assets, be in terms of real estate or optical fibre, which will be very essential for the smooth rollout of next-generation technology 5G.

BSNL has huge infra assets and Right of Ways are an advantage, which can be shared with private players. Their real estate is very valuable with presence in all major city centres with premium real estate.

Way forward:

BSNL is a strategic public asset which has to be promoted.
With the proposed measures, it is expected that BSNL will come out of losses by 2023-24 while MTNL will be back to profits in 2025-26, according to estimates. Both the PSUs have a debt of around Rs 20,000 crore.