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DoT commission seeks revenue assurance from BSNL, MTNL for revival support

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The Digital Communications Commission (DCC) on Thursday asked loss-making telecom PSUs BSNL and MTNL to explain their turnaround strategy and give an assurance to achieve higher revenue for getting financial support, an official said.

Public sector firms BSNL and MTNL have sought financial support, 4G spectrum and approvals for asset sales as part of their revival plans.

"DCC members wanted to know what is the revival plan, when will these (BSNL and MTNL) companies come back to health, how will they ensure that if they are given all the support, how exactly the commission can foresee that they will achieve higher revenue," an official source said after the meeting.

MTNL has sought a refund of interest that it paid for broadband wireless access spectrum which it was given by the government and asked to pay the price that was determined in auctions held in 2010.

Both state-run telecom firms have asked for permissions to monetise their land assets as well as the voluntary retirement scheme for employees on the Gujarat model. Under the Gujarat model, an amount equivalent to 35 days of salary for each completed year of service, and 25 days of salary for each year of service left till retirement is offered.

The VRS scheme for BSNL and MTNL will have a revenue impact of Rs 6,365 crore and Rs 2,120 crore respectively.

Both the companies have also sought spectrum for 4G services through equity infusion from the government.

MTNL, which operates in only Delhi and Mumbai, and expects that these measures will help the company is doing away with debt to the tune of around Rs 19,000 crore.

BSNL, which has the lowest debt of Rs 14,000 crore among all telecom operators, has sought 4G spectrum across India through equity infusion of Rs 7,000 crore. The total spectrum will cost the firm Rs 14,000 crore.

The PSUs have been also ailing because of high revenue to debt ratio due to a high number of government employees that were transferred by the Department of Telecom to them at the time of their formation. BSNL has 1.76 lakh employees across India and MTNL has 22,000 employees. It is estimated that 16,000 MTNL employees and 50 per cent of BSNL will retire while 50 per cent will retire in the next 5-6 years.

The revenue to wage ratio in case of MTNL has swelled to 90 per cent while in the case of BSNL it is around 60-70 per cent.

The DoT has recommended that VRS of both PSU should be funded through 10-year bond issue and the bond should be paid back by lease revenue that they will get from land asset monetisation.

DCC, the apex decision-making body at the DoT, has taken a call that revival of these PSUs is important because they operate in a



The DCC decided on providing technology neutral connectivity to 361 uncovered villages.

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strategic sector and therefore government presence in this sector is desirable. These are organisations with considerable strength capabilities as well as a strong asset base.

Besides, this the DCC has asked Universal Service Obligation Fund to work out on leasing of optical fibre network laid down under BharatNet project for 20 year period to telecom operators through auction to push its uptake and also evaluate sale option.

"After discussion, it was decided that the DoT must pressure this in all seriousness because this is a costly asset that is being created. However, DoT should also look at the outright sale of these fibre as well as leasing. USOF has been asked to work on it. In-principle the idea we must go ahead handling over this to the private sector on a long lease and ensure of its utilisation," the source said.

USOF has been also making an estimation of revenue proceeds through this process.

The DCC decided on providing technology neutral connectivity to 361 uncovered villages.

"These are mostly in border areas. List of 261 villages which was given by MHA and some in J&K and some other uncovered areas. USOF has always gone for technologically pre-specified solutions but this time is a departure where only desired service levels and outcomes to be asked for," the source said.

If the project is successful than all tenders from USOF will be issued on technology neutral basis going to be technology neutral one.

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