

## BSNL to outsource management and maintenance of its towers

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Bharat Sanchar Nigam (BSNL) plans to outsource the management and maintenance of its towers and cable networks as the state-owned telecom operator looks to compete more effectively with private rivals such as Bharti Airtel and Reliance Communications that dominate the booming industry, and unlock the value of its assets.

BSNL plans to outsource more than 50,000 towers and over 100,000 km of optic fibre cable, two executives with the telco told ET. The deal could be worth more than Rs 5,000 crore (\$1 billion) over five years.

The move is expected to face stiff resistance from about three lakh employees of the telco as it will impact close to 30,000 jobs.

The company plans to train and redeploy a significant section of these employees to marketing roles, said the executives requesting anonymity.

Most employees are expected to resist transfer to the rolls of the IT firms that win the outsourcing deal.

BSNL is in the process of finalising tender conditions for inviting bids for the contract, the executives said.

The move will help BSNL unlock the value from its towers and passive infrastructure as the once-monopoly tries to play catch-up with private rivals, said B K Syngal, senior principal of consulting firm Dua Consulting.

“Successful bidders for this contract can share the telco’s networks with private players for a fee and this could result in a revenue boost for BSNL,” added Mr Syngal who is a former chairman of VSNL (now Tata Communications).

While the officials refused to put a value to the contract, it could be worth more than \$1 billion going by recent similar deals in the industry.

Last year, Reliance Communications had formed joint venture with Franco American networks major Alcatel-Lucent and outsourced the management of its GSM and CDMA networks and its passive infrastructure such as optic fibre cable in a deal worth more than \$500 million over a five-year period. In July 2009, the companies announced that the deal size had crossed \$750 million.

Similarly, in April 2009, Bharti Airtel entered into a \$500-million joint venture with Alcatel-Lucent to manage its landline and broadband business.

About 4,000 employees from Bharti Airtel were transferred to this new venture, which is

also the front-runner to bag another \$500-million contract from the telco to manage and maintain its 80,000 km-plus inter-city optic fibre cable network.

BSNL had recently shelved its plans to hive off its towers and other related infrastructure into a separate company as it felt it will be difficult to unlock value by merely hiving off its infrastructure and listing it due to falling valuations for the tower sector, said the executives.

The state-run firm started outsourcing its operations recently to compete with the likes of the country's largest telco Bharti Airtel, which has made outsourcing the cornerstone of its strategy and signed multi-billion dollar contracts with network vendors such as Ericsson, Nokia and Siemens to build and run its mobile network.

BSNL recently invited bids from private players to offer wireless broadband services and Internet television, and set up Internet data services