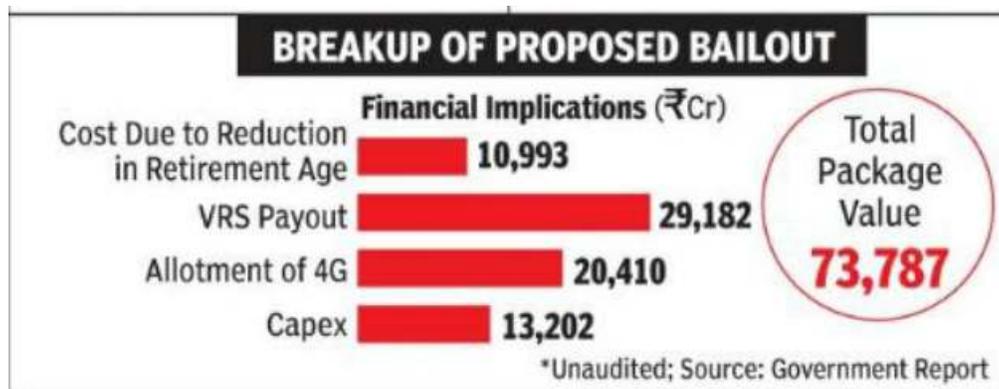


Govt proposes Rs 74k cr bailout for BSNL, MTNL

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NEW DELHI: The government is considering a Rs 74,000-crore bailout plan for the bleeding state-owned telecom companies BSNL and MTNL. The strategy involves offering a handsome exit package to thousands of employees, including an additional 5% compensation (ex-gratia) to make the VRS attractive, while providing for 4G spectrum and capital expenditure. BSNL is the country's biggest loss-making PSU (estimated Rs 13,804 crore in FY19), while MTNL was third with a loss of Rs 3,398 crore. Only Air India has a higher loss than MTNL. If the package goes through, the two telecom PSUs will overtake AI as the biggest drain on the national exchequer.

Speaking to TOI, officials familiar with the proposal — for which a draft Cabinet note has been circulated — said 4G spectrum valued at over Rs 20,000 crore will be allotted by the government and the rollout cost of around Rs 13,000 crore will be paid by the PSUs. The government will foot the bill of a little over Rs 40,000 crore towards the VRS package and early-retirement benefits.



Making a case for the bailout, the department of telecom has argued that closing down of two PSUs will cost Rs 1.2 lakh crore, and thus remains unviable. It said a strategic disinvestment may not find many takers, considering the financial stress in the telecom sector. However, a joint venture option can surely be explored.

BSNL and MTNL have continued to spiral downwards over the last decade or so due to poor management, high staff cost, misdirected and often unwanted government interference, and slow pace in upgrading to new technology. While the telecom industry is fast migrating to 4G and even preparing for 5G, the two PSUs are yet to move to faster and more efficient technology. They have lost market share in the mobile services business. Average revenue per user (ARPU) of these PSUs is at Rs 38 compared to Rs 70 of private players.

The government feels costs of the companies can be reduced substantially by bringing down the retirement age from 60 to 58 and offering a lucrative VRS package. This would enable them to get more aggressive with new tariff plans. The government is also looking at monetising the locked assets of the companies, including towers, land and optical fibre.