

BSNL-MTNL merger may not be that easy

Our Bureau
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Regulatory, operational issues will have to be addressed

The proposed merger between state-owned Bharat Sanchar Nigam Ltd and Mahanagar Telephone Nigam Ltd will have to overcome a number of regulatory and operational issues, including bringing parity between the pay scales of the employees of the two companies. The Centre will also have to address the complexities around de-listing of MTNL shares.

The proposal to find synergies between the two public sector telecom companies was first mooted in 2002 by the then Communications Minister Pramod Mahajan. A committee under the Department of Telecom Secretary was formed to look into its feasibility. However, this was put on the backburner due to huge bottlenecks, especially in dealing with the concerns of the employee unions of the two companies. BSNL has over two lakh employees and MTNL close to 45,000.

“The issues that scuttled the merger between the two PSUs then, continue to exist even now. So, one is not sure how the Centre will push this through. On the other hand, the market dynamics has changed drastically. Back then, the two PSUs were the dominant players; now, they are not even among the top three operators,” said a former BSNL executive.

“Over the last 10 years, the proposal to merge MTNL and BSNL had been revived several times and then shelved. There is clearly synergy between the two operators, especially on the infrastructure side,” said another former telecom official.

Proposals by consultants

International consultants, including McKinsey, JM Morgan Stanley and KPMG Consulting, had suggested different ways it could be implemented. One suggestion was that BSNL’s assets should be acquired by MTNL in a phased manner. Another suggestion was that MTNL should acquire a controlling stake in BSNL.

A committee headed by Sam Pitroda, Advisor to the Prime Minister, had also suggested a number of things, including hiving off the telecom companies’ infrastructure into a separate unit to unlock value.

According to a senior executive with a private telecom operator, the merger may be a little too late to make any significant impact. BSNL's market share in the mobile telephony segment declined to 7.96 per cent while MTNL's share has declined to 0.36 per cent from 0.58 per cent.

A Parliamentary committee report said that the advantages these PSUs had in the past, viz., extensive infrastructure in remote areas, their pan-India reach, huge optical fibre infrastructure, strategic alliances with IT and hardware companies, etc., have now dissipated.

“The Committee is, therefore, of the considered view that if the current trend of incessant shrinking of market share of BSNL and MTNL continues, both these entities would soon become commercially non-viable and a burden on the exchequer,” the report stated.

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