

Public Sector in Telecommunication services: A Critical Review

EXECUTIVE SUMMARY

Mahanagar Telephone Nigam Limited (MTNL) was carved out in the year 1986 from erstwhile Department of Post and Telegraph and Bharat Sanchar Nigam Limited (BSNL) was carved out in the year 2000 from erstwhile Department of Telecom Services & Department of Telecom Operations, as Public sector companies under the corporatization drive to improve the efficiency and effectiveness telecommunication services in India. However, with joining of several private telecom players the market share of BSNL and MTNL in Telecom Services, both in terms of Subscribers and Revenue is declining and they are becoming smaller and smaller players in the industry and losing their relevance in the industry as a whole. Government is actively considering the disinvestment / privatization of these Public Sector Undertaking (PSU)s, especially BSNL.

This study aims to analyse as to whether there is a case to shut down/privatize these PSUs or can they be brought back on track through some far-reaching steps to make them self-sustaining enabling the Government not to exit from this sector of strategic importance. For this objective, in this study, I have analysed the performance of BSNL/MTNL on four grounds i.e. economic, social, quality of service and strategic performance. I have also tried to identify the causes of such performance and areas of the concerns for such performance by carrying out a root cause analysis. On the basis of the finding I have suggested remedial measures for way forward so that through these PSUs, the Government could remain as a strategic player in telecom sector, considering the public good characteristic associated with 'Telecom Services'.

To analyse the economic, social & strategic performance and Quality of Service (QoS) of BSNL/MTNL both primary and secondary data sources were used by using a mixed

method research design. In Primary Data, In-depth interviews with key officials of DoT and focus group discussion with ‘Group A’ officers of BSNL was carried out. The study also includes views of key functionaries of BSNL, MTNL, DoT, TRAI, other leading competitor telecom service companies like Bharti Airtel etc., strategic associates like Indian Defence and Railway Services, Indian Telecom Service Officers working in different ministries collected in form of semi-structured questionnaire and customer satisfaction survey in addition to review of other secondary data available in public domain.

The study found that the primary reasons for deteriorating financial health of these companies were substitution from fixed to mobile services, stiff competition in mobile sector, frequent downward revision of tariff, huge amount of money as payment towards spectrum charges and withdrawal of subsidies and compensation. At the same time the reasons for the increase in expenditure have been identified as huge legacy work force whose salary and wages is more than 50% of the revenue, inheritance of legacy wireline systems, economically unviable rural operations as social obligation, and increase in other operational expenditure.

Key challenge is related to the Corporate Governance structure i.e. complex institutional framework. The department of public enterprises issues guidelines on governance related issues, including board appointments, appointments of other personnel, wages and salaries. The central vigilance commissioner (CVC) issues guidelines on conduct, disciplinary cases, investigations and related issues. Departmental enterprises are subject to a special additional audit by the CAG. The Central Bureau of Investigation assumes jurisdiction over the employees and board members. The public enterprise selection board recommends and selects potential SOE

board members. Finally, it is the various ministries that exercise ownership rights and set policy objectives (sometimes together with the legislature).

The Public-Sector Telecom Service Providers, BSNL and MTNL, which protect the entire market from the authoritarian strategies of the private entities and are also important from strategic point of view, were formed to provide a comprehensive range of services for the customers. On the basis of findings of the study, a number of measures have been suggested in the study to improve overall performance of Telecom PSUs. These include suggestions for improving operational performance related to QoS, Customer Care, Sales & Marketing Channels, Reduction of operating Costs along with suggestions for new business opportunities. At the same time some measures for improving Corporate Governance has also been stipulated especially related to Board Constitution and its Autonomy, Professionalization of Boards, BSNL-MTNL merger, Human resources strategy, Policies related to Procurement and for exploring creation of single holding structure (SHS) for BSNL and MTNL.