

BSNL to Get ₹1,500-cr Lifeline from USOF

Telco may get another ₹1,250 cr if NICF recommends such subsidy support to Telecom Commission

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State-run Bharat Sanchar Nigam Ltd (BSNL) will receive ₹1,500-crore subsidy from the Universal Service Obligation Fund (USOF) next week to sustain its loss-making rural landline operations, a top telecom department official told ET.

The Universal Service Obligation Fund (USOF), an independent body within the telecom department that subsidises telecoms infrastructure in rural India, has just inked a memorandum of understanding (MoU) with BSNL to support the state-owned telco's rural wireline business.

The MoU is partly in line with sector regulator Trai's recommendation that BSNL receive ₹2,750 crore central subsidy over a two-year span to sustain its rural landline oper-



ations. The MoU, however, mandates subsidy payout for a year only.

BSNL may qualify for a second tranche of ₹1,250 crore if the National Institute of Communications Finance (NICF) recommends such subsidy support to the Telecom Commission, which is the highest decision-making wing in the communications ministry.

"The USOF will shortly ask NICF to assess the quality of BSNL's rural

landline coverage and verify whether it requires additional subsidy for a second year. Under the terms of the MoU, we have been directed to only disburse ₹1,500 crore, which will compensate the telco for expenses incurred between July 18, 2011, and July 18, 2012," said the DoT official quoted above.

If the NICF recommends an extra ₹1,250 crore subsidy payout, BSNL may be compensated for all expenses incurred in running its rural landline operations between July 2012 and July 2013, provided the Telecom Commission approves.

BSNL's rural landline operations hit a rough patch after the government suspended its annual ₹2,000-crore subsidy payouts in July 2011. The Telecom Commission had originally provisioned a ₹6,000 crore USOF subsidy payout to BSNL over

three years, starting July 2008, which lapsed in July 2011. The three-year subsidy provision was aimed to reimburse the telco for a loss-making venture linked to its social obligation. It was also extended since BSNL had lost out on access deficit charges in 2008.

Apart from running its rural wireline network, BSNL also needs cash to meet additional costs of upgrading all MARR-based village public telephones (VPTs) across its 20-circle footprint.

But the state-owned telco appears to be on a sticky wicket in so far as availing of the additional ₹1,250 crore subsidy goes, since the USOF believes the quality of BSNL's rural landline coverage has declined over the years as it has failed to grapple with competition from more nimble footed private telcos.