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DoT to Seek Cabinet Nod to Hive Off BSNL Mobile Towers

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The telecom department will shortly seek Cabinet approval to first hive off state-run Bharat Sanchar Nigam Ltd's mobile towers into a wholly-owned arm, and thereafter, bring in a private joint venture partner in line with the recommendations of an empowered group of ministers (eGoM).

The eGoM, or a panel of ministers, has recommended that the two-stage exercise be concluded over the next 18 months, according to an internal note seen by ET.

The eGoM wants "the business potential of BSNL's tower assets to be unlocked in the next nine months as the captive structure has inherent inefficiencies". It has also suggested formation of a tower joint venture with induction of a private partner chosen "through a transparent, competitive process within the nine months, thereafter".

Accordingly, the telecom department will shortly move a Cabinet note to hive off BSNL's towers into a separate arm and also constitute an inter-ministerial group to thrash out the capital and organisational structure of the new company after conducting a market valuation of the company's tower asset holdings.

At present, BSNL has 61,622 mobile towers of which about 5,700 have been funded by Universal Services Obligation Fund (USOF) under the shared mobile infrastructure scheme to provide coverage in rural areas. A sizeable chunk of BSNL's towers assets are co-located with wireline exchanges to meet business needs. It also has leased tenancies in 11,000 locations from other companies to meet coverage requirements and business expansion needs.

The subsidiary proposal was mooted three years ago by a Sam Pitroda-led panel to monetise BSNL's tower assets af-

ter the state-run telco's financial performance deteriorated amid hyper competition in the telecom sector coupled with its inability to expand on time or compete with more fleet-footed private operators.

The proposed hive-off of tower assets comes at a time when the government is trying to revive the financially stressed telecom operator. An empowered inter-ministerial group recently asked DoT to give loans to BSNL to help it pay a portion of its staff salary bills. BSNL's annual salary bill in 2013-14 is likely to touch nearly ₹14,000 crore.

The state-run telco's accumulated losses were at ₹24,681 crore as on March 31, 2013. It reported a loss of ₹7,884 crore in 2012-13. This was its fourth successive loss-making year, but the losses narrowed from the ₹8,851 crore losses in fiscal 2011-12.

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Telecom Infra Spending to Fall by 26% During 12th Plan

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Infrastructure spending in the debt-laden telecom sector is likely to plummet by over 26% during the 12th Plan (2012-17) compared with the 11th Plan, courtesy a near 13% cutback in infrastructure-related investments by private telcos and the absence of expansion plans at bleeding state-run operators BSNL and MTNL.

The projected fall in telecom infrastructure spending is also in contrast with ambitious 12th Plan investment projections for other critical infrastructure sectors like electricity, railways, roads & bridges, mass rapid transit systems (MRTS), ports, and renewable energy, according to a Planning Commission note seen by ET.

The Planning Commission note further shows that telecom infrastructure-related investments in 2012-13 at ₹32,912 crore was barely 31.3% of the estimated level of ₹1,05,192 crore.