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BSNL wants Rs 2,000-cr subsidy for rural telephony to continue

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KOLKATA: Cash-strapped BSNL has asked the telecom department not to end the . 2,000-crore subsidy it receives annually to sustain its loss-making landline business across rural India. The department had provisioned this amount annually for three years beginning 2008 from the Universal Service Obligation Fund (USOF) that is used to support rural telephony .

BSNL's subsidy ends in July 2011. All mobile phone companies share 5% of their annual revenues towards USOF and it is estimated that the unutilised amount in this fund is about . 25,000 crore. BSNL claims it spends over . 12,000 crore every year as operating expenses on its rural landline business and earns barely a fraction of that as rental revenues. Company executives say the cost-revenue mismatch triggers annual losses in excess of Rs 10,000 crore from rural landline business alone contributing significantly to its precarious financial situation.



"It will be impossible for BSNL to sustain its bleeding wire line business across rural India if the USO subsidy is withdrawn after July. Since losses have mounted and the cost of maintaining our rural telecoms infrastructure has shot up, we have asked the telecom department to renew the support ," said a BSNL director who did not wish to be named.

An official in the telecom department said the ministry would soon re-assess the quantum of support needed for BSNL to sustain its rural landline business based on its future expenditure and revenue projections. USO Fund administrator A Bhattacharya said any decision to renew subsidy payouts to BSNL will require a policy level change.

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