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Trai suggests Rs 600 crore aid for BSNL's rural operations

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NEW DELHI: Telecom Regulatory Authority of India (Trai) has asked the Centre to provide cash-strapped BSNL with Rs 600 crore to sustain its loss-making wireline operations in rural India. While BSNL had sought support of Rs 2,580 crore annually, the regulator has recommended this interim amount be paid from the Universal Services Obligation Fund. Trai will study BSNL's demands and decide on the annual subsidy after consulting all stakeholders.

All mobile phone companies contribute 5% of their annual revenues towards the USOF, and the unutilised amount in this fund is estimated to reach Rs 36,000 crore by the end of the 2013 financial year.

For the past three years, BSNL had been getting Rs 2,000 crore annually to sustain its landline operations in rural India. Prior to that, BSNL had been receiving a levy called the Access Deficit Charge, where all private telcos paid a certain percentage of their annual revenues, to sustain its loss-making rural telephony services.

After the ADC charge was abolished in 2008, BSNL was given Rs 2,000 crore subsidy for a three-year period ending July 2011. Since then, the PSU has been threatening to shut its rural landline offerings, which it claims is not viable. According to BSNL's estimates, it spends over Rs 8,000 crore annually as opex, including human resources, for its wireline services in rural India.

Trai, in its communication to DoT said that a subsidy of 600 crore should be given to BSNL purely as an ad hoc measure since it would take more time to issue a consultation paper, followed by a consultation process. "Besides, keeping in view the fact that at this stage it may not be easy for the government to obtain any additional funds for this purpose through the normal budgetary process, the authority recommends that the subsidy grant of Rs 600 crore may be made from the USOF," the regulator said.

BSNL had asked Trai to issue interim suggestions for an ad hoc amount before it came out with its final recommendations, the regulator gave the rationale behind this decision.

However, the regulator added that the subsidy and the source of the subsidy - USOF - were just a one-time adjustment.

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