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DoT to seek Finmin nod to reimburse BSNL for loss-making rural operations

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KOLKATA: The telecom department will shortly seek finance ministry approval to reimburse state-owned BSNL for all its loss-making ventures linked to its social obligation .

Reimbursement is being sought to compensate BSNL for its loss-making rural landline operations coupled with additional costs of upgrading all MARR-based village public telephones (VPTs) across its 20-circle footprint, post April 2002.

This will be the first decisive move by Kapil Sibal's telecom ministry to prop up the economic fortunes of the cash-strapped telco, which is tipped to post a near-2,750-crore net loss in 2010-11.

"The government is exploring ways to improve BSNL's financial position. The Telecom Commission is in talks with the finmin to finalise the total quantum of annual reimbursement for all its loss-making but socially desirable activities. Such reimbursement is proposed to be funded out of the Universal Services Obligation Fund (USOF)," said a senior official in the telecom department.

Matters have come to a head since BSNL will soon stop receiving the 2,000-crore annual subsidy from the USOF that it uses to sustain its rural landline operations.

The telecom department had provisioned this annual subsidy for three years from the USOF, starting calendar 2008, to maintain BSNL's telecoms infrastructure in rural and remote areas across the country. The subsidy had been introduced to compensate the state-owned telco after access deficit charges were withdrawn back in 2008. The subsidy will stop from July 2011.

USOF circles said they were waiting for specific feedback on the precise quantum of annual reimbursement for BSNL's loss-making operations. "We are aware of the reimbursement proposal. But neither the telecom department nor the finance ministry has apprised us about BSNL's specific loss-making activities that will be eligible for reimbursement from the USOF nor the quantum," said an official familiar with the matter.

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