

Annual Rs 3,000-cr subsidy planned for BSNL, MTNL

Aid to support BSNL's rural operations, MTNL's pension payouts.

The department of telecommunications (DoT) plans to support ailing state-run telecom public sector units BSNL and MTNL by giving an annual subsidy of about Rs 3,000 crore to sustain their operations. The two PSUs have been losing revenues as well as market share.

The subsidy amount to BSNL will be given to support its operations in rural and far-flung areas from the Universal Service Obligation Fund (USOF), while MTNL will be given support for its higher pension and other retirement payouts from the licence and spectrum fee, which both PSUs give to the government, a senior DoT official told Business Standard.

Initial estimates by the department suggests that BSNL incurs a loss of about Rs 2,000-2,500 crore from its landline business, majority of which are social commitments in rural and far-flung areas and MTNL's pension amount stands at Rs 300-350 crore annually. However, DoT has asked BSNL to quantify the exact amount of loss it incurs due to its social obligations. DoT plans to implement this proposal by this year, the official added.

For the first time since its inception in 2000, BSNL had posted a loss of Rs 1,823 crore in the financial year 2009-10, while MTNL has posted a loss of about Rs 671 for the third quarter ended December 31. MTNL's net continues to be dragged down by retirement benefits, increase in dearness relief of pension and high wages.

Due to the deteriorating performance of both the telecom PSUs, the department has also revived its proposal for the merger of BSNL and MTNL to synergise their business operations across the country.

"BSNL and MTNL should be merged as they have complimentary operations and can combine their strengths for synergies. The structure of BSNL and MTNL make it difficult for them to be accountable for their performance. DoT should set up a multi-stakeholder committee to develop a restructuring plan for both firms," the department had said.

Earlier, BSNL got support from Access Deficit Charge (ADC), under which operators paid 0.75 per cent of their total revenues. ADC was used to support BSNL's unviable landline business in rural areas. However, The Telecom regulatory Authority of India had withdrawn ADC from April 1, 2008. Subsequently, the government decided to give a subsidy of Rs 2,000 crore per annum for the next three years to BSNL from USOF.

With increased competition and falling taxes in the telecom sector, both BSNL and MTNL have been losing subscribers and market share. They also failed to take advantage of the third generation (3G) spectrum, which they were allotted a year ahead of the auction for private players.