

Finance Ministry approached to bridge Rs 4763-cr gap in NOFN project

In the run-up to the next budget, telecom secretary MF Farooqui has approached the finance ministry to bridge a Rs 4,763-crore funds shortfall in executing the first phase of India's ambitious national broadband venture, popularly known as the national optic fibre network (NOFN) project.

A confidential telecom department note seen by ET says there is barely "Rs 1,000 crore available in the Universal Services Obligation Fund kitty" for meeting NOFN costs in 2013-14, though the total requirement this fiscal is Rs 5,763 crore. The matter was discussed at a recent NOFN review meeting, where the senior-most DoT official said "he had flagged the issue with the Department of Expenditure to bridge the gap in the funds requirement", the note shows.

The Rs 21,000-crore NOFN project, which will take super-fast internet to the hinterlands, will be executed in three phases and funded by USOF — an independent DoT arm that subsidises rural network infrastructure rollouts. The project is scheduled for completion in October, 2015. The government plans to establish high-speed broadband links in 1 lakh gram panchayats (GPs) in the first phase.

Another top DoT official said the funds shortfall was triggered by a recent Rs 1500-crore subsidy payout by USOF to state-run Bharat Sanchar Nigam Ltd (BSNL) for sustaining its loss-making rural landline operations. The USOF had inked a memorandum of understanding (MoU) with BSNL last July to support the financially stressed telco's rural wireline business in line with sector regulator Trai's recommendation.

BSNL's rural landline operations had hit a rough patch after the government suspended its annual Rs 2,000-crore subsidy payouts in July 2011. The USOF corpus is made up of funds from telecom operators who contribute 5 per cent of their annual revenue to its kitty. Though this corpus is currently at Rs 28,000 crore, the USOF receives only an annual allocation from the government for subsidising rural telecom ventures earmarked for each year.

"In 2013-14, we received roughly Rs 3,000 crore from the government, of which we've spent Rs 1,900 crore, bulk of which was towards the BSNL subsidy payout. As a result, current funds available with USOF for NOFN expenses this fiscal is only Rs 1,000 crore," said the DoT official quoted above, who manages the USOF kitty.

Related DoT notings seen by ET reveal that the Telecom Commission has approved a total expenditure of Rs 11,148 crore for the first phase of NOFN. The TC is the highest decision making wing in the communications ministry. The national broadband project has already suffered a two-year delay and could miss revised rollout deadlines as key cable laying & trenching (C&T) contracts have not been finalised.

BSNL, Power Grid Corporation of India and RailTel have been mandated by the communications ministry to handle C&T responsibilities in the NOFN project in the 70:15:15 ratio. BSNL recently gave assurances to DoT that these contracts would be finalised soon.

(Economic Times)