

UNIVERSAL SERVICE OBLIGATION FUND (USOF)

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1.0 BACKGROUND

1.1 The New Telecom Policy 1999 (NTP '99) approved by the Union Government seeks to achieve the following Universal Service Objectives:

- i) Provision of Voice and Low speed data service to the balance 290 thousand uncovered villages by the year 2002
- ii) Achieve Internet access to all District Headquarters by year 2000
- iii) Achieve telephone on demand in urban and rural areas by year 2002.

1.2 Resources for meeting the Universal Service Obligation (USO) are raised through a 'Universal Access Levy' (UAL), which is as a percentage of the revenue earned by the operators under various licenses.

1.3 The implementation of USO obligations for rural/remote areas is to be undertaken by various telecom service providers who are reimbursed from the USO Fund.

2.0 STATUS OF THE FUND

2.1 The Universal Service Support Policy came into effect from 01.04.2002. The guidelines for universal service support policy were issued by DOT. These are available on DOT website www.dot.gov.in. Subsequently, the Indian Telegraph (Amendment) Act, 2003 giving statutory status to the Universal Service Obligation Fund (USOF) was passed by Parliament in December 2003. The Fund is to be utilized exclusively for meeting the Universal Service Obligation and the fund does not lapse on year ends. The Rules for administration of the Fund known as Indian Telegraph (Amendment) Rules, 2004 were notified on 26.03.2004.

2.2 An Ordinance was promulgated on 30.10.2006 as the Indian Telegraph (Amendment) Ordinance 2006 to amend the Indian Telegraph Act, 1885 in order to enable support for mobile services and broadband connectivity in rural and remote areas. Subsequently, an Act has been passed on 29.12.2006 as the Indian Telegraph (Amendment) Act 2006 to amend the Indian Telegraph Act, 1885. The Rules for administration of the Fund under this Ordinance, Indian Telegraph (Amendment) Rules 2006 have been published on 17.11.2006.

2.3 The resources for implementation of USO are raised through a Universal Service Levy (USL) which is 5% of the Adjusted Gross Revenue (AGR) of all Telecom Service Providers except the pure value added service providers like Internet, Voice Mail, E-Mail service providers etc. In addition, the Central Govt. can also give grants and loans.

3.0 IMPLEMENTATION OF USOF

Although the Universal Service Obligation Policy came into effect from 01.04.2002, the USOF has come to be statutorily recognized after the amendment to the I.T. Act in December 2003.

(A) PUBLIC SHARED ACCESS

- i) **Village Public Telephones**

Agreements were signed with BSNL and six other telecom Operators in March 2003 for providing subsidy support for maintenance of existing VPTs. About 5, 62,000 Village Public Telephones (VPTs) were eligible for financial support for operation and maintenance. The details of VPTs being maintained by various telecom operators namely, BSNL (www.bsnl.co.in), RIL (www.relianceinfocom.com), TIL & TIL (MH) (www.tatateleservices.com), Bharti (www.airteltelephone.com), HFCL (www.hfclconnect.com) and Shyam Telecom (www.hellorainbow.com) are available on the respective websites of these service providers.

ii) New VPTs in the Uncovered villages

For the remaining uncovered eligible 66,822 villages as on June 2004, agreements were signed with BSNL in November 2004 to provide VPTs in such villages. Insurgency prone villages and those with population less than 100 totaling about 24,000 villages were not to be covered as per the then Policy. Subsidy support in the form of Capital and Operational expenses was provided for provision of these VPTs for a period of five years from the date of installation of the VPTs. Out of 66,822 VPTs, 14,183 VPTs were to be provided on satellite based media and the remaining 52,639 on other technologies. The roll out period was prescribed as 20%, 40% and 40% respectively in a phased manner over a period of three years by November 2007. The provision of VPTs in these villages has been included as one of activities under Bharat Nirman Programme. The details of the villages to be covered under this programme are available on the DOT website www.dot.gov.in & Bharat Nirman website www.dot.gov.in/bharatnirman.htm.

iii) Replacement of MARR based VPTs

1,86,872 no. of VPTs which were earlier working on Multi Access Radio Relay (MARR) technology and installed before 01.04.2002 were decided to be replaced as most of these were non functional. Both capital and operational expenses were to be supported for this activity.

iv) Provision of Rural Community Phones

46,253 villages with population exceeding 2,000 and without a Public phone facility are being provided with a Rural Community Phone (RCP). Agreements were signed with BSNL and RIL in September 2004 to provide 24,822 and 21,431 RCPs respectively in these villages over a period of three years. These installations are eligible for both Capital and Operational expenses.

(B) INDIVIDUAL ACCESS

i) RDELs (01.04.05 to 31.03.07)

Agreements were signed in March 2005 for providing subsidy support towards installation of Rural Household Direct Exchange Lines (RDELs) to the individual customers in Rural Areas. The support for these RDELs was extended to cover 1685 Short Distance Charging Areas (SDCAs), which are High Cost Low Income Areas out of a total of 2647 SDCAs in the Country. This covered about 64% of the total geographical area covered by telecommunications. BSNL, Reliance, Tata Teleservices Ltd. and TIL (MH) got approval for 1267, 203, 172 and 43 SDCAs. Support in the form of front loaded subsidy is being given for all the lines (RDELs) installed from 01.04.2005 to 31.03.2007. The equated annual subsidy where payable is given for five years which is validity of the Agreement ie. March, 2010. About 25,64,577 RDELs were provided [M/s BSNL (8,91,306), M/s RIL (7,37,207), M/s TIL (7,26,915) and M/s TIL (MH) (2,09,149)] during the period 01.04.2005 to 31.03.2007.

ii) RDELs (01.04.02 to 31.03.05)

Support is also being extended for 18.65 lakhs rural lines installed between 01.04.2002 and 31.03.2005 at the same rates as applicable for the RDELs. Agreements to this effect were signed with M/s BSNL and M/s RIL in May 2005 & August 2005. The equated annual subsidy is to be given for a maximum period of five years from the date of installation of these RDELs. One time front loaded subsidy is payable only for net addition of rural household DELs in a local exchange area.

iii) RDELs (Prior to 01.04.02)

One time financial support has also been provided to nearly 90.5 lakhs rural household DELs (Direct Exchange Lines) from USO Fund for the period 01.04.2002 to 31.01.2004 which had been installed in the Country prior to 01.04.2002 as per rules. The Access Deficit Regime has come into operation from 01.02.2004.

(C) INFRASTRUCTURE SUPPORT FOR MOBILE SERVICES

USO Fund launched a scheme to provide subsidy support for setting up and managing 7871 number of infrastructure sites (towers) spread over 500 districts in 27 States. About 2.12 lakh villages are likely to be covered under this scheme. The infrastructure so created shall be shared by three service providers for provision of mobile services including other Wireless Access Services like Wireless on Local Loop (WLL) using Fixed/ Mobile terminals in the specified rural and remote areas, where there is no existing fixed wireless or mobile coverage. The agreements effective from 01.06.2007 have been signed with the successful bidders. Mobile services through these shared towers are targeted to be made operational in a phased manner. It is estimated that additional capacity of 24 million new lines shall be created through the infrastructure so created under this scheme. The district-wise, village-wise locations of these towers are available on DoT Website (www.dot.gov.in). About 3,000 towers have been installed till 30th January, 2009.

4.0 USO LEVY COLLECTIONS

USO Fund has Rs 9,194.12 crores accumulated fund as at March, 2007.

The contribution from Service Providers towards USO collected as Universal Service Levy from 01.04.2002 has been Rs. 1653.61 Crore in 2002-03, Rs. 2143.22 Crore in 2003-04, Rs. 3457.73 Crore in 2004-05, Rs. 3533.29 Crore in 2005-06 and Rs. 4211.13 Crore in 2006-07.

5.0 DISBURSEMENTS MADE

The entire budgetary provision of Rs. 5081.44 Crore allocated for the financial years 2002-03, 2003-04, 2004-05, 2005-06 and 2006-07 was fully utilized (Rs 300.00, 200.00, 1314.59, 1766.85 and 1500.00 Crore). A sum of Rs. 1800.00 Crore has been allocated for the Financial Year 2007-08. As on March 2008, the Government has released approximately Rs 6,400 crores for rural telephony.



USO FUND COLLECTION AND DISBURSEMENT

Year	Funds collected as USO Levy	Funds allocated and disbursed	
		Allocated	Disbursed
2002-03	1653.61	300	300
2003-04	2143.22	200	200
2004-05	3457.73	1314.59	1314.59
2005-06	3533.29	1766.85	1766.85
2006-07	4211.13	1500	1500
2007-08	NA	1800	--
Grand Total	14998.98	6881.44	5081.44

All Figures are in Crores of Rupees.

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13

6.0 ACTIVITIES BEING TAKEN UP BY USOF

6.1 Infrastructure Support for Cellular Mobile Services (Second Phase)

USO plans to come up with another proposal to install 11,000 towers in second phase to cover the remaining uncovered rural and remote areas of the Country. The tender is expected shortly. Each tower is basically supposed to be shared by three operators. The individual Infrastructure provider and/or telecom service providers are eligible to participate in the tender.

6.2 USF activities under Stream-V & Stream-VI

For creation of general infrastructure for development of telecom facilities and for induction of new technological developments in the telecom sector in rural and remote areas, USOF has initiated dialogue for identifying projects and implementing them.

6.2.1 Broadband Connectivity for Rural Areas

With the aim to provide e-governance and data services to the rural masses, a proposal is also under consideration of the Government to provide subsidy support for Broadband connectivity in rural and remote areas of the country in a phased manner by utilizing the infrastructure created for provision of mobile services. This programme will cover Common Service Centers (CSCs) being set up by DIT, school, colleges, primary health centers and Gram panchayats in a phased manner.

During May, 2007 Government approved Inter Ministerial Group from Ministries of Health, Home, Human Resources Development, Panchayati Raj, Communications & Information Technology to promote rural broadband.

India aims to have 20 Mn. by 2010. Rural roll out is critical for meeting these targets. DOT is looking at providing broadband with minimum of 512 kbps within a 10 Km. radius of all block headquarters. It will connect community centers, health centers, primary schools, panchayats and police stations to block headquarters. Subscriptions are proposed to be free. DOT finalized five phase strategy to provide broadband to all 6, 00,000 villages in next three years using USO Fund. BSNL will cover about a tenth i.e. 60,000 and rest private operators. Total expected cost Rs. 4,000 Crores. There are 1,000 blocks, where only BSNL is only service provider.

USO financial assistance is by way of subsidy for broadband active infrastructure like base stations. Operators are also expected to utilize their existing passive infrastructure. The winners are decided on the basis of least subsidy sought from USO.

The various phases of the project DIT & USOF assisted are as given below:-

DIT Assisted Project

Phase I: 20,000 Villages to be connected on wire line (DIT assisted) by December 2007 through BSNL rural exchanges having optical fiber connectivity. Rs.170 crores from USO. Siemens, Ericsson, ZTE short listed

Phase II: 40,000 villages in 1000 blocks to be connected by wireless broadband (DIT assisted) by June 2008 by BSNL where the BSNL is the only service provider. Rs 160 Crores from USO

USOF Assisted Project:

- Phase III: 2 lakh villages in 5000 blocks to be connected by wireless broadband (USOF assisted) by June 2008.
- Phase IV: 3 lakh villages to be connected by wireless broadband (USOF assisted) in (2008-09)
- Phase V: 40,000 villages to be connected by wireless broadband (USOF assisted) in (2009-10)

USOF is also considering Pilot projects for introducing latest technologies in rural areas with provisions of subsidy up to Rs 50 lacs. Projects covered are like rural broadband, rural telephony (Fixed, WLL and Mobile), transmission media, tower, power plants etc.

State Wide Area Network (SWAN) Project:

The Government has initiated around Rs 3,000 Crores, State-Wide Area Network (SWAN) project under the national E-governance plan in Government-to-business (G2B) and Government to Citizens (G2C) domains. SWAN, is aimed at giving a boost to connectivity at the district level. Under this project, the broadband route is the best way to give an impetus to rural connectivity.

There is also a proposal for setting up of 100,000 Common Service Centers (CSCs) covering all the villages in the country. They will provide internet access and the benefit of e-governance to the common citizens.

PVT OPERATORS INITIATIVES

Bharti telecom infrastructure under E Gram in Gujrat to connect 13,716 village panchyat and CSCs in the State.

Scheme of Bolivian Government for rural telephony

The Bolivian Government permitted incentives encouraging telecoms operators to expand services in rural areas in June, 2007. The incentives are direct awarding of concessions for rural services, licenses for the use of frequencies, exemption from spectrum usage fees in rural projects, the possibility to interconnect rural networks with other operators' networks, and special interconnection rates for operators involved in rural projects, etc.