

E4-E5 (CM)

USO & Infrastructure Sharing

WELCOME

- This is a presentation for the E4-E5 CM Module for the Topic: **USO & Infrastructure Sharing**
- Eligibility: Those who have got the upgradation from E4 to E5.
- This presentation is last updated on 31-3-2011.
- You can also visit the digital library of BSNL to see this topic.

AGENDA

- Introduction Of USO
- USOF Supports
- Infrastructure Sharing

Introduction of USO

Apart from the higher capital cost of providing telecom services in **rural** and **remote** areas, these areas also generate lower revenue due to lower population density, low income and lack of commercial activity.

Thus normal market forces would not direct the telecom sector to adequately serve backward and rural areas.

Keeping in mind the inadequacy of the market mechanism to serve rural and inaccessible areas on one hand and the importance of providing vital telecom connectivity on the other, most countries of the world have put in place policies to provide Universal Access and Universal Services to ICT.

Introduction of USO contd.....



The New Telecom Policy -1999 (NTP'99) provided that the resources for meeting the Universal Service Obligation (USO) would be raised through a "Universal Access Levy(UAL)", which would be a percentage of the revenue earned by the operators under various licences.

The Universal Service Support Policy came into effect from 01-04-2002.

The Indian Telegraph (Amendment) Act,2003 giving statutory status to the Universal Service Obligation Fund(USOF) was passed by both the Houses of Parliament in December 2003.

Introduction of USO contd.....



The Rules of administration of the Fund known as Indian Telegraph (Amendment) Rules, 2004 were notified on 26-03-2004.

As per the Indian Telegraph Act 1985 (as amended in 2003, 2006 and 2008), the Fund is to be utilised exclusively for meeting the Universal Service Obligation.

Definition of Universal Service Obligation:

As per the Indian Telegraph Act 1885 (as amended in 2003 and 2006) Universal Service Obligation is defined as access to telegraph service to people in rural and remote areas at affordable and reasonable prices.

Importance of Telecom Connectivity:

- i) Economic Benefits :
- ii) Social Benefits :

Introduction of USO contd.....



Economic Benefits :

- i) Stimulation of Rural Economic Growth
- ii) Rural BPOs/KPOs
- iii) Positive Externalities :

Social Benefits :

- i) Social Development :
- ii) Government Services :
- iii) Main Streaming Rural India :

USOF Supports

The Indian Telegraph (Amendment) Act, 2003 giving statutory status to the Universal Service Obligation Fund (USOF) was passed in December 2003.

The Fund is to be utilized exclusively for meeting the Universal Service Obligation by providing access to telegraph service to people in the rural and remote areas at affordable and reasonable prices.

The USO Fund was established with the fundamental objective of providing access to **'basic'** telegraph service.

Subsequently, an Act has been passed on 29.12.2006 as the Indian Telegraph (Amendment) Act 2006 to amend the Indian Telegraph Act, 1885 to enable provision of **all types** of telegraph service.

USOF Supports

The Rules for administration of the Fund known as Indian Telegraph (Amendment) Rules were originally notified on 26.03.2004.

The Rules were subsequently amended in order to enable support for mobile services and broadband connectivity in rural and remote areas of the country as Indian Telegraph (Amendment) Rules 2006 and same were published on 17.11.2006.

The Rules have recently been amended to provide subsidy support to eligible operators for operational sustainability of Rural Wire-line Household DELs installed prior to 01.04.2002, for a period of 3 years subject to a ceiling of Rs.2000 Crore per annum for the country.

USOF Supports

The resources for implementation of USO are raised through a Universal Service Levy (USL) which has presently been fixed at 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. may also give grants and loans.

The annual revenue share license fee shall be reduced to extent of reduction in contribution toward Universal Service Obligation Fund (USOF) levy if the licensee in service area(s) meets the prescribed qualification.

The balance to the credit of the Fund will not lapse at the end of the financial year.

Credits to the Fund shall be through Parliamentary approvals.

USOF Supports

The implementation of USO related activities is carried out by the “eligible operators” as per the aforesaid Indian Telegraph (Amendment) Rules covering Basic Service Operators, Cellular Mobile Service Providers, Unified Access Services Licensees and Infrastructure Providers (IP).

These Telecom Service providers are **both** public and private sector companies.

Functions of USO Fund administration :

❖ **To** formulate USOF projects under the various streams provided in the Indian Telegraph Rules, in consultation with telecom service providers and various stakeholders.

USOF Supports

- ❖ **To** design the bidding process and carry out tendering.
- ❖ **To** enter into implementation agreements with Telecom Service Providers (TSPs).
- ❖ **To** monitor the implementation of USOF project and to disburse subsidy in accordance with terms and conditions of USOF agreements.
- ❖ **To** design the format of various records and returns to be maintained by the TSPs.
- ❖ **To** carry out post implementation review of USOF Schemes.
- ❖ **Budgeting and Audit of USOF Activates.**
- ❖ **Interface with international Organizations such as ITU, APT and USO Fund of other nations.**

USOF Supports

Provisions in USOF Agreements for monitoring and control of activities:

- ❖ Agreement terms and conditions to guarantee adherence to QoS
- ❖ Self certification through an affidavit by Service Providers
- ❖ Deductions for service interruptions
- ❖ Roll out clause
- ❖ Liquidated damages
- ❖ Post payment sample verification
- ❖ Physical inspection
- ❖ Annual auditor's certificate
- ❖ Recovery of over payments with penal interest

USOF Supports

The USOF Administration is assisted by **CCAs** Office:

- Spread across India's **22** Telecom Service Areas.
- These field units of the Department of Telecom (DoT) have been delegated the functions of subsidy disbursement and verification of subsidy claims.
- They assist the USOF Administration in monitoring of the field level implementation of USOF Agreements.
- They also liaise with state and local government authorities in this regard.

USOF Supports

Activities supported by USO Fund:

- **Stream-1:** Provision of Public Access Service:
- **Stream-II:** Provision of Household Telephones in Rural and Remote Areas as may be Determined by the Central Govt. from Time to Time:
- **Stream –III:** Creation of Infrastructure for provision of Mobile Services in Rural and Remote Areas.
- **Stream –IV:** Provision of Broadband Connectivity to rural & remote areas in a phased manner
- **Stream-V:** Creation of General Infrastructure in Rural and Remote areas for Development of Telecommunication facilities e.g. OFC for Assam.
- **Stream-VI:** Pilot projects to establish new technological development in the telecom sector, which can be deployed in the Rural and Remote Area.

USOF Supports

Implementation of Ongoing Schemes- Public Access:

New VPTs In The Uncovered Villages:

As per Census 2001, there were about another 62,443 uncovered villages, which were yet to be provided with VPT facility.

Such uncovered villages shall also be provided with VPT facility with subsidy support from USOF.

Agreements in this regard have been signed with BSNL on 27.02.2009.

Replacement of MARR based VPTs:

- 1,86,872 no. of VPTs which were earlier working on MARR technology and installed before 01.04.2002 are to be replaced by reliable technology equipment as most of these were non functional.

USOF Supports

- Both capital and operational expenses were to be supported for this activity.
- The number of MARR VPTs to be replaced has subsequently been revised as 1,85,121.
- All the MARR VPTs were likely to be replaced in a phased manner by June 2009.

Provision of Rural Community Phones

46,253 villages with population exceeding 2,000 and without a Public phone facility were being provided with a Rural Community Phone (RCP).

Agreements were signed with M/s BSNL and M/s RIL in September 2004 to provide 24,822 and 21,431 RCPs respectively in these villages over a period of three years i.e. by 30.09.2007.

USOF Supports

These installations were eligible for both Capital and Operational expenses. The number of RCPs to be provided has subsequently been revised as 40705 [BSNL: 21958, RIL: 18747]. All the RCPs were likely to be replaced in a phased manner by May'2009.

Rural Household Direct Exchange Lines

RDELS (01.04.2005 to 31.03.2007)

Agreements were signed with M/s BSNL, M/s TTL and M/s TTL (MH) in March 2005 for installation of Rural Household Direct Exchange Lines (RDELS) to be installed during the period 01.04.2005 to 31.03.2007. These RDELS were to be installed in 1685 Short Distance Charging Area (SDCAs) [BSNL: 1267, RIL: 203, TTSL: 172, TTML: 43] where cost of providing telephone connections is more than the revenue earned.

USOF Supports

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, shall be given up to a maximum period of validity of the Agreement (Five years) and validity period ends in March, 2010. Subsequently the cut-off date for installation of the RDELS was extended to 31.3.2010.

RDELS (01.04.2002 to 31.03.2005)

Support was also being extended for 18.65 lakh rural lines installed between 01.04.2002 and 31.03.2005 at the same rates as applicable for the RDELS as above i.e. (01.04.2005 to 31.03.2007)

Agreements to this effect were signed with M/s BSNL and M/s RIL in May 2005 & August 2005.

USOF Supports

The equated annual subsidy was 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.

RDELS (Prior to 01.04.2002)

Support has also been extended to nearly **90.5** lakh rural household Direct Exchange Lines (RDELS) installed prior to 01.04.2002 toward the rental differential between the TRAI prescribed rental and the rental charged by the Service Provider.

The support was for the limited period of 01.04.2002 to 31.01.2004.

USOF Supports

The Access Deficit Regime (**ADC**) has come into operation from 01.02.2004

Rural Wire-line Household DELs installed prior to 01.04.2002

Based on the recommendations of **TRAI**, Indian Telegraph Rules (**ITR**) have already been amended to provide subsidy support to the eligible operators for operational sustainability of Rural Wire-line Household DELs installed prior to 01.04.2002 in lieu of **ADC** has been phased out.

This support shall be provided for a period 3 year subject to a ceiling of Rs.2000 Crore per annum for the country.

USOF Supports

Infrastructure Support **for** Mobile Services

A scheme has been launched by USO Fund to provide subsidy support for setting up and managing 7440 number of infrastructure sites (towers) in 500 districts spread over 27 states for provision of mobile services in the specified rural and remote areas, where there is no existing fixed wireless or mobile coverage.

The infrastructure so created shall be shared by **three service providers** for provision of mobile services.

The agreements effective from 01.06.2007 have been signed with the successful bidders in May'2007.

Mobile services from these sites were considered to be launched in a phased manner by end of year 2008.

USOF Supports



Rural Broadband Schemes

Agreement has been signed with BSNL on 20.01.2009 to provide 8,61,459 wire-line Broadband connections to individual users and Government Institutions from 27,789 DSLAMs, installed at exiting rural and remote exchanges over a period of 5 year, **i.e. by 2014.**

The Service Providers, with valid license from DoT for BSO/UASL, are eligible to apply for the Scheme.

Such Service Providers shall have outdoor copper cable network from their exiting serving exchange in the rural and remote areas with back-haul & backbone connectivity on OFC.

Planned USF Schemes

Infrastructure Support for Mobile Services (Phase-II)

USOF Supports

It was proposed to cover other uncovered areas in the country through mobile services for which additional towers have been identified.

About **11,000** towers are proposed to be installed under the second phase of the scheme; which has been launched shortly.

Wireless Broadband Connectivity for Rural Areas

A proposal has been under considerations of the Government to provide subsidy support for Broadband connectivity in rural and remote areas (**5,903 Satellite Sites for Satellite Broadband Connectivity**) of the country in a phased manner by utilizing the exiting passive and core infrastructure available with the Service Providers.

USOF Supports

It is proposed to provide broadband connectivity to Gram Panchayats, Higher secondary schools and primary health centers in order to provide e-governance and service to the rural areas.

Wireline Broadband Connectivity for Rural Areas

Wire line Broadband shall also be supported by USOF wherever feasible.

Augmentation, Creation and Management of OFC Network in service areas other than Assam

With a view to provide sufficient back-haul capacity to integrate the voice and data traffic from the access network in the rural areas to their core network, USOF has taken initiative to strengthen the OFC network in the rural and remote areas.

USOF Supports



This scheme considers OFC Network augmentation between the Blocks' HQ and Districts' HQ to being with.

The above Schemes are envisaged to be rolled out during the current Five Year Plan (2007-2012).

Infrastructure Sharing

In the HOCC on 10th and 11th December, 2009 in which CMD, BSNL emphasized the need of prompt actions by the circles for faster sharing of BSNL's towers with other telecom operators to earn additional incremental revenue for the company.

It was also highlighted that by leasing out own towers, BSNL shall not only be earning additional revenue but also be saving substantially on operational expenditure.

As a result of number of new operators were entering in the mobile telecom sector, it was considered a right time to maximize the sharing opportunities.

Accordingly BSNL has adopted a policy of leasing out of BSNL's own towers.

Infrastructure Sharing

The Master Services Agreements (MSAs) were signed with various other telecom operators at Corporate Office level.

Territorial circles were also asked to sign Service Level Agreements (SLAs) with other telecom operators.

While reviewing the progress of sharing of BSNL's towers, it was observed that only few circles have made progress in this regards.

It was instructed by the Corporate Office that all out efforts be made by the circle to make the infrastructure sites available to the sharing operators for timely roll out of their services because not only by doing this BSNL shall be able to earn credibility and shall also prompt the operators to take more and more towers from BSNL.

Infrastructure Sharing

Considering a very slow progress and in order to motivate the field staff for faster sharing of sites and ensuring SLAs, the Management Committee of BSNL Board, vide its meeting held on 24.02.2010, has decided initially as under:

- **To** motivate the field staff for faster sharing of sites and ensuring SLAs, the concerned SDO/JTO level officers will be paid Rs. 2500/- one time on first bill payment for tower leased out till 30th September 2010;
- **The** Group 'C' / Group 'D' staff shall be paid incentive of Rs. 500/- per month initially upto September 2010, in case the SLA is ensured and no penalty is imposed on BSNL for six months.
- ❖ **Further** the management committee of BSNL Board in its meeting held on dated 16-11-2010 approved the following incentive scheme for SSA/Circle Officers/Staffs:

Infrastructure Sharing

- **Incentive for SSA Office/Staff:** One time incentive of Rs.10,000/-(Rs. Ten thousand) for each BSNL tower leased out by the SSA over and above the threshold of 10% of the target assigned to the SSA by the circle for F.Y. 2010-11
- Incentive shall be paid for the tower leased out i.e made RFIE and made over to the operator during the period from the date of launch of this incentive scheme till 31st March,2011.
- The SSA head in consultation with IFA shall decide the contributions of individual officers/officials and distribution of incentive proportionality.

Incentive for Passive Infra Group formed at Circle Office level:

In order to attract good officers to work in passive infra groups and also to motivate the staff/officers to make extra efforts in

Infrastructure Sharing

in leasing of BSNL towers, following one time incentives have been approved for the passive infra teams at circles office (including officers/staff of finance, civil, electrical etc., if any) who are involved and expeditious sharing of the towers in the circle.

- An incentive of Rs.2,000/- (Rs. Two thousand) for each BSNL tower leased out by the circle over and above the threshold of 10% of the target assigned to the circle for F.Y. 2010-11.
- Incentive shall be paid for the tower leased out i.e made RFIE and made over to the operator during the period from the date of launch of this incentive scheme till 31st March,2011.

Infrastructure Sharing

➤ The GM in-charge of passive infra group either in consultation with the concerned IFA or by appointing a committee shall decide the contributions of individual officers/staff of the passive infra group at circle level (including that from finance, civil, electrical etc., if any involved) and to distribute the incentive proportionately as per their contribution.

Incentive for Circle Heads and SSA Heads:

Achieving the assigned targets by the circle shall not be possible without the effective direction and guidance of the Circle head and SSA heads in assigning priority to this infra sharing business for expeditious leasing of BSNL towers. **Accordingly** following awards are approved for the performing circle heads and SSA Heads:

Infrastructure Sharing

Award to Circle Heads: A citation from CMD, BSNL along with the cash award of Rs.51000/- shall be given to circle CGM if circle is able to lease out at least 10% of the total towers in the circle (as on 01-10-2010) during the current financial year.

In case the circle is able to lease out more than or equal to 20% of total number of towers during the current financial year, the cash award shall be Rs. 1 Lac.

Infrastructure Sharing

Award to SSA Heads:

A citation from CGM, along with the cash award of Rs.25000/- to SSA head if SSA is able to lease out 10% of the total towers in the SSA during the current financial year.

The citation shall be given by the ED(NB) and cash award shall be raised to Rs.50,000/- if total towers lease out by the SSA ,during FY 2010-11, are more than or equal to 20% of total numbers of towers in the SSA.

- A tower will be considered leased out only if tower is made RFIE and the same is made over to the operator on or before 31st March,2011.
- The payment of incentive /award for leasing out shall be only after receipt of payment of first bill/bills by the operator to BSNL.

Infrastructure Sharing

Policy for leasing out BSNL's passive infrastructure (GBT) to other telecom service providers – “Swapping of infra sites”:

Considering timely roll out of wireless services in circles, BSNL CO, New Delhi also issued guidelines and authorisation to the CGMs for swapping of infra sites on 1 :1 basis as below:

- ❖ The CGMs may also consider the swapping of the available spare capacities/slots on 1 to 1 basis with other service providers without involving any payment obligations to each other to meet BSNL's additional requirements of infrastructure with a view to achieve faster rollout of its services.
- ❖ 1 to 1 swapping of infra sites with other service providers must be done judiciously keeping in mind the importance of sites to be swapped.

