No. 402-26/2011-I&FN

Dated 5th March, 2012

The Secretary
Department of Telecommunications,
Sanchar Bhawan,
20 Ashoka Road,
New Delhi-110001

Sir,

Sub: Extension of Support from USO Fund towards the Rural Direct Exchange Lines (R-DEL) on expiry of the current subsidy support

Kindly refer to the DOT’s letter No.10-19/2010-SU-I dated 14.09.2011 on the above subject, seeking TRAI’s recommendations regarding continuation of support from USOF towards rural wireline connections installed before 01.04.2002 on phasing out of ADC, beyond three years and the amount/period thereof (Annexure-I).

2. In order to assess the need of continuation of support, BSNL was asked to make a presentation before the Authority. BSNL inter alia submitted that
   (a) for rural wire-lines, installed before 01.04.02, the existing cost of operations are high in comparison with revenue accruals;
   (b) it does not make business sense for BSNL to maintain these high cost rural lines at very high net loss unless it is financially compensated by the Government;
   (c) rural wire-lines are key to broadband adoption in rural areas. Therefore, they have requested TRAI to recommend to DOT for provision of continued support to these rural DELs installed before 01.04.2002.

3. During the meeting, M/s. BSNL was requested to provide location-wise number of such working rural lines, revenue and expenditure corresponding to these lines and detailed calculation of deficit on account of these lines. BSNL submitted their response on the required information and data vide various letters dated 26.12.2011, 04.01.2012, 09.01.2012 and 27.01.2012, wherein they have requested for subsidy at the rate of Rs. 2580 crore per year. BSNL has been further asked to submit some more detailed data on 15.02.2012.
4. However, in the meantime, BSNL vide letter No.1-1/2011/TP/BSNL dated 15.02.2012 has requested TRAI to get the matter processed expeditiously. BSNL has also requested that pending final recommendations, TRAI may consider issuing interim recommendation for an ad hoc amount to be given to them (Annexure-II).

5. The Authority has accorded careful consideration to the request of BSNL. Keeping in view the urgency of matter, considering that it would take some more time to issue a consultation paper and that time would also be taken in consultation process, the Authority recommends that a subsidy of Rs 600 crore purely as an ad hoc measure may be given to BSNL. Besides, keeping in view the fact that at this stage it may not be easy for the Government to obtain any additional funds for this purpose through the normal budgetary process, the Authority recommends that the subsidy grant of Rs 600 crore may be made from the Universal Service Obligation Fund (USOF). It is further stated that both the amount of Rs 600 crore and the source i.e. the USOF are purely ad hoc arrangement and that final recommendations in the regard will be made by the Authority after due consultation process.

6. In keeping with practice, a copy of this letter along with enclosures is being placed on TRAI’s website www.trai.gov.in.

7. This letter issues with the approval of the Authority.

Yours Sincerely,

(Rajeev Agrawal)
Secretary
To,

The Secretary
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan,
Jawaharlal Nehru Marg (Old Minto Road)
New Delhi-110002.

Subject: Extension of support from USO Fund towards the Rural Direct Exchange Lines (R-DEL) on expiry of the current subsidy support.

Sir,

Kindly refer to the TRAI recommendations dated 27.03.2008 on “Support for rural wire line connection installed before 01.04.2002 from USOF on phasing out of ADC” vide which a subsidy of Rs. 2000 Crore per year was recommended for BSNL for a period of three years.

2. BSNL has accordingly been given the subsidy of Rs. 2000 Crore per year from USOF for a period of three years with effect from 18th July 2008 to 17th July 2011.

In the said recommendations, while suggesting amendments to the Indian Telegraph Rules, TRAI has also stated that “Provided that the Central Government may after seeking recommendation of TRAI, on review, continue the reimbursement at the same rate or at a lower rate beyond three years, for a period as may be decided by the Central Government from time to time”.

4. For providing the subsidy to BSNL from USOF, in view of the TRAI recommendations, the Indian Telegraph Rules, 1951 were amended on 18th July 2008 and the following was inserted:

“For household Direct Exchange Lines installed prior to 1st day of April 2002, an amount of maximum Two thousand Crore rupees per annum for a period of three years shall be reimbursed to the eligible operators, from the date the Indian
Telegraph (Amendment) Rules, 2008 come into force, for operational sustainability of rural wirelines in lieu of Access Deficit Charges being phased out).

5. Now BSNL has sought further support from USO Fund towards the Rural Direct Exchange Lines (R-DEL) on expiry of the current subsidy support of Rs. 2000/ Crores per annum given for the period of three years.

6. The matter has been considered by DoT and it has been decided to seek TRAI recommendations for the amount and duration of such support as requested by BSNL.

7. Accordingly, TRAI is hereby requested to give its recommendations regarding continuation of support for rural wire line connection installed before 01.04.2002 from USOF on phasing out of ADC, beyond three years and the amount/period thereof, in view of its earlier recommendation dated 27.3.2008 in this regard.

(G.P. Srivastava) 19/3/1
DDG(Carrier Services)
NO: 1-1/2011/TP/BSNL

dated February 15, 2012

To,

Advisor (I&FN)

TRAI, New Delhi.

Sir,

This is with reference to the matter of financial support to BSNL for meeting the deficit arising out of commercially non remunerative rural wireline services for the DELs installed before 01.04.2002.

The matter has already been presented to TRAI, including financial calculations and statements audited by Company's statutory auditors, duly appointed by CAG of India. However while the recommendations of TRAI are still awaited, BSNL continues to incur the expenditure & resultant losses on maintenance of these rural wirelines.

It is requested to kindly get the matter processed expeditiously, and pending final recommendations, consider issuing interim recommendations for an adhoc amount to be given to BSNL for partially mitigating this loss.

(Karuna Raman)

GM (TP / RA)

Copy for kind information to:

1. Principal Advisor (FA & IFA), TRAI New Delhi
2. CMD / Director (CFA) BSNL CO New Delhi
3. ED (Finance) BSNL CO New Delhi
4. Jt.Secretary (Telecom), DoT Sanchar Bhawan New Delhi
5. PGM (Regulation) BSNL CO New Delhi
6. GM (CA) / GM (Finance - CFA) / Sr GM (NWO-CFA) BSNL CO New Delhi