



भारतीय दूरसंचार विनियामक प्राधिकरण

महानगर दूरसंचार भवन, जवाहर लाल नेहरू मार्ग,
(पुराना मिनटो रोड), नई दिल्ली-110002

TELECOM REGULATORY AUTHORITY OF INDIA

Mahanagar Doorsanchar Bhawan, Jawahar Lal Nehru Marg,
(Old Minto Road), New Delhi-110002
Fax : 91-11-23213294

No. 402-26/2011-I&FN

Dated 5th March, 2012

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

Sir,

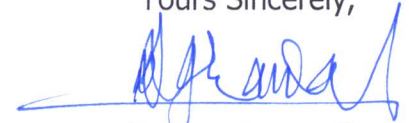
Sub: Extension of Support from USO Fund towards the Rural Direct Exchange Lines (R-DEL) on expiry of the current subsidy support

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

