Universal Service Obligation Fund

Schemes

- Agreements
- Provisions
- Evaluation and Impact Assessment

Joint Administrator (F), USOF
26/03/2012
Presentation Overview

• Universal Service Obligation Fund:
  – What and Why?
  – Functions, Streams and Schemes
  – USOF Schemes: System of Inspection and Control and Verification

• Ten Years of USOF’s existence:
  – Achievements
  – Fund Status, Subsidy disbursement for Activities to IPs/USPs

• Independent Evaluation
  – Impact Assessment of Wireline Broadband Scheme
  – Evaluation of Part B of Mobile Phase I Scheme

• Purpose of the Workshop
Universal Service Obligation Fund

• Constituted with retrospective effect from 1/04/02 with the passing of the Indian Telegraph (Amendment) Act 2003 in December 2003.
• Administrator, USOF appointed on 1/06/02.
• Mandate: Providing access to Telecommunications services to people in rural and remote areas at reasonable and affordable prices.
• Various schemes aimed at promoting public and individual access to telephony – Fixed and Mobile – and broadband services in rural areas.
• Office of Administrator USOF will complete 10 years on 01/06/12.
Obligation Simplified

• Case of Market Failure
• Digital Divide
• Snapshot

<table>
<thead>
<tr>
<th></th>
<th>Urban</th>
<th>Rural</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>352 Million</td>
<td>826 Million</td>
<td>1178 Million</td>
</tr>
<tr>
<td>Tele-Density</td>
<td>168.84 %</td>
<td>38.04 %</td>
<td>77.57 %</td>
</tr>
</tbody>
</table>

• Factors aggravating Digital Divide:
  – Scattered Population in rural areas
  – Inadequate infrastructure
  – Low ARPU
Functions of USOF Administration

- Formulation of schemes under various USOF streams
- Entering into implementation agreements with IPs/TSPs/Other Organizations
- Monitoring of implementation of USOF schemes
- Disbursal of Subsidy
- To carry out post implementation review of USOF Schemes.
- Budgeting and Audit of USOF Activities.
- Interface with International Organizations.
Streams of USOF Activities

• Streams of USOF activities as amended from time to time:
  – **Stream-I**: Provision of Public Access Service *(Schemes on VPTs and RCPs)*
  – **Stream-II**: Provision of Household Telephones in Rural and Remote Areas *(RDELs)*
  – **Stream-III**: Scheme on Creation of Infrastructure for provision of Mobile Services in Rural and Remote Areas. *(Mobile Infrastructure Phase – I)*
  – **Stream-IV**: Provision of Broadband Connectivity to rural & remote areas in a phased manner *(Wire Line Broadband (WLBB), Rural Public Service Terminals (RPST))*
  – **Stream-V**: Creation of General Infrastructure in Rural and Remote Areas for Development of Telecommunication facilities. *(Optical Fiber Cable (OFC) for Assam)*
  – **Stream-VI**: Induction of new technological developments in the telecom sector in Rural and Remote Areas: Pilot projects to establish new technological developments in the telecom sector. *(Solar Mobile Charging Facility(SMCF))*
<table>
<thead>
<tr>
<th>SNo</th>
<th>Activity Name</th>
<th>Effective Date of Agreement</th>
<th>Validity Period</th>
<th>Financial Outlay (Rs Cr)</th>
<th>Physical Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Operation and Maintenance of Village Public Telephones (VPTs)</td>
<td>28-03-2003</td>
<td>7 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>MARR-B: Replacement of Multi Access Radio Relay (MARR)VPTs between 1.4.02-30.6.03</td>
<td>01-04-2002</td>
<td>8 years &amp; 3 months</td>
<td>186872 VPTs</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>MARR-A: Replacement of MARR VPTs after 30.6.03</td>
<td>01-07-2003</td>
<td>9 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>VPTs in uncovered villages, Phase I (Census 1991/Under Bharat Nirman) (New VPT-I)</td>
<td>10-11-2004</td>
<td>8 years</td>
<td>451</td>
<td>62032 Villages</td>
</tr>
<tr>
<td>5</td>
<td>VPTs in uncovered villages, Phase II (Census 2001) (New VPT-II)</td>
<td>27-02-2009</td>
<td>7 years</td>
<td>340</td>
<td>62443 Villages</td>
</tr>
<tr>
<td>6</td>
<td>Rural Community Phones (RCP)</td>
<td>30-09-2004</td>
<td>8 years</td>
<td>40,694 RCPs</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>RDEL-B: Rural-household Direct Exchange Lines (RDELs) installed between 1.4.02-31.3.05</td>
<td>01-04-2002</td>
<td>8 years</td>
<td>Open Ended</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>RDEL-A: RDELs installed between 1.4.05-31.3.07 (extended upto March 2010 named RDEL-X)</td>
<td>01-04-2005</td>
<td>5 years</td>
<td>Open Ended</td>
<td></td>
</tr>
<tr>
<td>SNo</td>
<td>Activity Name</td>
<td>Part</td>
<td>Effective Date of Agreement</td>
<td>Validity Period</td>
<td>Outlay (Rs Cr)</td>
</tr>
<tr>
<td>-----</td>
<td>-------------------------------------------------------------------------------</td>
<td>------</td>
<td>-----------------------------</td>
<td>-----------------</td>
<td>----------------</td>
</tr>
<tr>
<td>9</td>
<td>Mobile Infrastructure (Phase-I)</td>
<td>A</td>
<td>01-06-2007</td>
<td>6 &amp; half years</td>
<td>587.88</td>
</tr>
<tr>
<td></td>
<td></td>
<td>B</td>
<td>16-05-2007</td>
<td>6 &amp; half years</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Wire Line Broadband</td>
<td></td>
<td>20-01-2009</td>
<td>8 years</td>
<td>1500</td>
</tr>
<tr>
<td>11</td>
<td>Provision of Solar Mobile Charging Facilities to 5000 villages</td>
<td></td>
<td>29-04-2010</td>
<td>4 years</td>
<td>16.4</td>
</tr>
<tr>
<td>12</td>
<td>Augmentation, creation and management of Optical Fibre Network in Assam</td>
<td></td>
<td>12-02-2010</td>
<td>7 years</td>
<td>98.89</td>
</tr>
<tr>
<td>13</td>
<td>Augmentation, creation and management of Optical Fibre Network in NE-II</td>
<td></td>
<td>16-01-2012</td>
<td>8 years</td>
<td>89.5</td>
</tr>
<tr>
<td>14</td>
<td>Augmentation, creation and management of Optical Fibre Network in NE-II</td>
<td></td>
<td>16-01-2012</td>
<td>8 years</td>
<td>298.5</td>
</tr>
</tbody>
</table>
System of Inspection and Control over performance of USOF Schemes

- By way of provisions in Agreements:
  - 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
Verification Norms and Disbursement of Subsidy

• Verification of claim, inspection as per contract agreement and disbursal of Subsidy through CCA offices

• Scheme-wise details of verification norm:

<table>
<thead>
<tr>
<th>SNo</th>
<th>USOF Scheme</th>
<th>Norm</th>
<th>Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Replacement of Multi Access Radio Relay VPTs-Replaced after 30.06.03</td>
<td>Min 5%</td>
<td>&gt; 5%</td>
</tr>
<tr>
<td>2</td>
<td>Provision of VPTs In Uncovered Villages</td>
<td>Min 5%</td>
<td>&gt; 5%</td>
</tr>
<tr>
<td>3</td>
<td>Provision of VPTs In Uncovered Villages (Phase II)</td>
<td>Min 5%</td>
<td>&gt; 5%</td>
</tr>
<tr>
<td>4</td>
<td>Provision of Rural Community Phones (RCPs) In Specified Villages</td>
<td>Min 5%</td>
<td>&gt; 5%</td>
</tr>
<tr>
<td>5</td>
<td>Provision of RDELs in specified SDCAs - Installed w.e.f. 01.04.05</td>
<td>Min 5%</td>
<td>&gt; 10%</td>
</tr>
<tr>
<td>6</td>
<td>Mobile Infrastructure Phase-I (w.r.t. RFI Towers)</td>
<td>100 %</td>
<td>76%</td>
</tr>
<tr>
<td>7</td>
<td>Rural Wire line Broadband Scheme – Individual Connections</td>
<td>Min 5%</td>
<td>Not Yet Available</td>
</tr>
<tr>
<td>8</td>
<td>Provision of Solar Mobile Charging Facilities in 5000 Villages</td>
<td>Min 5%</td>
<td>Not Yet Available</td>
</tr>
</tbody>
</table>
Ten Years of USOF’s Existence

• Launched Several schemes with focus on:
  – Public Access (VPT Schemes)
  – Individual Access (RDELs)
  – Infrastructure for Mobile Services (Mobile Infrastructure Phase I)
  – Broadband (Rural Wireline Broadband)

• Achievements

• Time for Evaluation and Impact Assessment of USOF Schemes

• Future Plans
  – National Optical Fiber Network
  – Mobile Infrastructure Phase II (LWE)
  – Rural Wireless Broadband Scheme
### Achievements as on Dec ’11

<table>
<thead>
<tr>
<th>SNo</th>
<th>Schemes</th>
<th>Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>VPTs installed under various Schemes</td>
<td>8,78,882 VPTs installed</td>
</tr>
<tr>
<td>2</td>
<td>Provision of Rural Community Phones in specified villages</td>
<td>40,694 RCPs installed</td>
</tr>
<tr>
<td>3</td>
<td>Provision of RDELs Installed after 1.04.05</td>
<td>79,27,191 RDELs installed</td>
</tr>
<tr>
<td>4</td>
<td>Mobile Infrastructure Phase-I</td>
<td>7,300 Sites Commissioned</td>
</tr>
<tr>
<td>5</td>
<td>Rural Wireline Broadband Scheme: Individual Connections</td>
<td>3,54,595 Connections</td>
</tr>
<tr>
<td></td>
<td>Broadband Kiosks</td>
<td>7534 Kiosks installed</td>
</tr>
</tbody>
</table>

- Facilitated increase Rural Tele-density from 1.2% (2002) to 37% (2011) with focus on ensuring universal access to rural areas.
- Conducive environment for participation of USPs in rural and remote areas.
- Pilot Projects: Validation of new ideas, approaches and technology
Activity wise Subsidy disbursement (cumulative)

- SMCF: 0.43
- New VPT-2: 78.75
- RCP: 110.95
- WIRELINE-BB: 171.36
- MOB-I: 217.90
- New VPT-1: 220.81
- MARR-B: 403.14
- MARR-A: 819.13
- RDEL-X: 855.37
- VPT OPEX: 859.68
- RDEL-D: 1191.78
- RDEL-B: 2032.79
- RDEL-A: 2097.36
- RDEL-P: 6000.00

Amount in Rs Crore
BSNL

USP wise subsidy disbursement (cumulative)

<table>
<thead>
<tr>
<th>Company</th>
<th>Amount in Rs Crore</th>
</tr>
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<tbody>
<tr>
<td>HFCL</td>
<td>0.16</td>
</tr>
<tr>
<td>RTL</td>
<td>0.35</td>
</tr>
<tr>
<td>TERI</td>
<td>0.43</td>
</tr>
<tr>
<td>BHARTI</td>
<td>0.44</td>
</tr>
<tr>
<td>SHYAM</td>
<td>0.55</td>
</tr>
<tr>
<td>QTL</td>
<td>1.20</td>
</tr>
<tr>
<td>VECL</td>
<td>4.31</td>
</tr>
<tr>
<td>DWL</td>
<td>4.55</td>
</tr>
<tr>
<td>VESL</td>
<td>11.50</td>
</tr>
<tr>
<td>RCIL</td>
<td>15.80</td>
</tr>
<tr>
<td>KEC</td>
<td>23.42</td>
</tr>
<tr>
<td>GTL</td>
<td>24.71</td>
</tr>
<tr>
<td>TTML</td>
<td>315.62</td>
</tr>
<tr>
<td>TATA</td>
<td>723.43</td>
</tr>
<tr>
<td>RCL</td>
<td>752.62</td>
</tr>
<tr>
<td>BSNL</td>
<td>13,180.38</td>
</tr>
</tbody>
</table>
Study of Two VPT Schemes

- Exercise covered Scheme for new VPTs in uncovered villages as per census 1991 and Scheme of O&M of existing VPTs
- Undertaken by CCA offices in coordination with NSSO in year 09-10.
- Study focused on:
  - key areas of concern in the scheme implementation
  - overall utility of VPT Schemes
- Study provided recommendations on:
  - aspects of future VPT provision
  - subsidy disbursement preconditions
  - penalty system to deter erroneous claims
- Study included Questionnaire based surveys at 579 sites for Scheme on O&M of existing VPTs and 460 sites for Scheme for new VPTs in census 1991 villages.
- Detailed report is available in the public domain on USOF Website
Independent Evaluation

• For better governance and monitoring of USOF activities, USOF has taken initiatives to assess the Socio-Economic impact of its schemes.

• Evaluation by Experts

• Expected Outcomes of such initiatives:
  • Improvement of monitoring mechanism
  • Assessment of socio-economic impact
  • Learnings for better formulation of the future schemes including
    – Rural Wireless Broadband Scheme
    – National Optical Fiber Network
    – 2199 towers in specified LWE affected districts under Integrated Action Plan

• Presently, independent evaluation of Wireline Broadband Scheme and Mobile Infrastructure Phase - I Scheme is under progress.
Impact Assessment of Wireline Broadband Scheme (WLBB)

- Agreement with IIM Ahmadabad Idea Telecom Centre of Excellence
- Objective: Assessment of socio-economic impact of WLBB Scheme in the rural India; Identify and address the shortcomings in the USOF’s monitoring mechanism
- Methodology:
  
  1. Understanding the WLBB Scheme
  2. Development of a Framework for Socio-Economic Impact Assessment
  3. Designing of Questionnaires for various Stakeholders
  4. Pilot Study with 5 CCA offices
  5. Finalization of Questionnaires and Sample Space for Survey
  6. Workshop with CCA Offices
  7. On site Data Collection by CCA Offices
  8. Data Analysis and Recommendation by IITCoE
Evaluation of Part B of Mobile Infrastructure Phase-I scheme

- Study undertaken by Economic Research Unit of DoT.
- Aim: To assess the impact made by mobile services provided through the infrastructure created under the scheme.
- Pilot Study in Maharashtra, Madhya Pradesh and Uttarakhand.
- Questionnaire survey with 15 Households (HHs), 10 having mobile phones and 5 without any mobile phone, in each of the 34 villages spread over three states.
- Study extended to three additional States of Chhattisgarh, Karnataka, and West Bengal for 180 HHs in 17 villages.
- Status: Preliminary data collected. Detailed report after data analysis
Purpose of this Workshop

• To familiarize CCA offices with the Impact Assessment Study of WLBB Scheme
  – Objective and Methodology of the Study
  – Clarity on roles and responsibilities of various stakeholders viz. USOF HQ, CCA Offices, IITCoE and Respondents

• Deliberations on the ERU division’s Pilot Impact Analysis study
Thank You