



शान्तनु कॉसल, प्रशासक
SHANTANU CONSUL, IAS
ADMINISTRATOR

6/c

भारत सरकार
संचार एवं सूचना प्रौद्योगिकी
दूरसंचार विभाग
सार्वभौमिक सेवा दायित्व निधि
संचार भवन, २० अशोक रोड, नई दिल्ली-११० ००१
Government of India
Ministry of Communications and Information Technology
Department of Telecommunications
Universal Service Obligation Fund
Sanchar Bhawan, New Delhi-110 001
Tel. : 23372144 / Fax : 23372150
e-mail : usadmn.dot@nic.in

D.O.No. 30-31/2004-USF(Vol.III)Pt.
12th September, 2007

Dear Shri Goyal,

As you are aware VPTs form a very critical part of the Government's efforts towards provision of reliable, affordable public access services for the 70% of our population that resides in rural India. BSNL is the largest provider of VPTs over the length and breadth of the country.

2. Unfortunately the functioning of VPTs leaves much to be desired. It is reported by CCA units that almost 25% of VPTs are non functional on account of either being faulty or disconnected. BSNL's own MIS data shows that the average revenue per DEL per month of STD VPTs has declined from Rs.615 as on March 2006 to Rs.418 as on March 2007. Feedback on functioning of VPTs received from the field units of DOT has been analyzed by my office and we are of the view that the position of VPTs is remediable provided certain systemic shortcomings are removed. In particular, I would like BSNL to review its position regarding provision of charge indicators to 95/STD VPTs, commission rates and security deposits for 95/STD VPT, powering of VPTs/RCPs on CDMA technology and placement of VPTs on a prepaid model of functioning.

3. Another disturbing aspect that needs to be addressed urgently is the submission of incorrect claims by BSNL. Lapses of this nature have been detected in almost all circles, as pointed out in inspection reports received from CCAs. They have become the subject matter of DAPs (copies enclosed in Annexure-III). Therefore, we are now constrained to resort to penal action as a deterrent.

4. I am enclosing a note on the above-mentioned aspects, which contains the gist of our observations. I would request you to go through it so that we may discuss the implementation of these issues at the earliest. I propose to call for a meeting within a month, by which time BSNL will be ready for a detailed discussion.

With warm regards,

Yours sincerely,

(Shantanu Consul)

Shri Kuldeep Goyal
CMD, BSNL
Bharat Sanchar Bhawan, New Delhi

BACKGROUND NOTE ON AGENDA POINTS FOR MEETING

MID TERM REVIEW OF VPT SCHEME Enhancing Efficacy and User Satisfaction

Background

1. Village Public Telephones have served as an effective means of communication in rural India. Given the low income levels of the bulk of rural population, public access telephone services have an extremely significant role to play in rural India till such time that commercial availability and affordability of private telephone facilities is ensured. In view of their importance to rural communication, the USOF has subsidized different activities relating to VPTs. A number of agreements have been signed, the details of which are:
 - (a) Agreement no. 30-101/2002-USF dated 28.03.2003 relating to Subsidy disbursement for operation & maintenance of VPTs.
 - (b) Agreement no. 30-107/2002-USF dated 25.09.2003 relating to Subsidy disbursement towards replacement of MARR VPTs.
 - (c) Agreement no. 30-107/2002-USF dated 19.03.2004 relating to Subsidy disbursement towards replacement of MARR VPTs (replacement between 01.04.2002 to 30.06.2003).
 - (d) Agreement no. 30-130/2004-USF dated 10.11.2004 relating to Support from USO Fund towards provision of VPTs in uncovered revenue villages as per census 1991.

VPT Working in Practice-Some Facts

- As on 31st March 2007, out of 540115 number of VPTs billed for by BSNL, merely 26% VPTs were STD enabled while the remaining had local call facilities only. To genuinely connect and to mainstream the rural economy and population, STD/95 facilities are critical.
- The STD VPT revenue has decreased by 32% from March 2006 to March 2007.¹
- *VPTs (both STD and non-STD) located in private residences are generating maximum revenue.*
- *The revenue of the VPTs shows an inverse relation to the size of the village*².

Need for Deeper Analysis –What Ails the VPT?

2. The feedback received from CCAs has alerted USF Administration to various facets of actual implementation of this scheme, which could explain the above findings. It would appear that the low penetration of STD and low revenue of VPTs are largely the result of policies & practices of BSNL with respect to VPTs. The relatively higher revenue of VPTs in small village indicates that wherever alternate telecom facilities are not available, the VPT is more viable. In places where alternatives are available, the VPTs are not being optimally used due to various problems associated with them. These problems have been discussed below and could also explain the declining STD VPT revenue, especially in the face of increasing private competition. The higher revenue of VPTs located in private residences is unfortunately likely to be due to the fact that the VPT is being used to make

¹ BSNL MIS data as on 31.3.06 and 31.3.07

² NCAER Report March 2007

private calls by an influential and well off household who are getting the added incentive of commission on calls made.

3. In view of these issues, an effort was made by the USOF Administration's Finance Branch to analyze these issues and to formulate a set of suitable corrective measures. The CCAs were requested to collect data and detail the problems relating to the VPTs in their Service Area. The compilation of VPT data received from the CCA offices³ indicates that 25.41 of the VPTs are non functional due to different reasons (Faulty 8.84%, DNP/Closed 7.68%, Zero Meter Reading 8.88%). The issues that have been highlighted by the CCAs are mainly:

- (a) Non-provision of STD/ISD even when asked for by VPT franchisee. Also franchisees are often unaware of how to process an application for the same.
- (b) Non-provision of charge indicators by BSNL, which makes it difficult to bill the customer accurately. This in fact affects demand for STD services as well as deters franchisees from getting STD activated-The two factors complement each other to form a vicious circle whereby the viability of the VPT is adversely affected.
- (c) Lower commission rates (30-35%) for a 95/STD enabled VPT as compared to local VPT (50%) make 95/STD facilities unattractive as a business model for the franchisee. (In fact while private operators are offering more than 50% commission to a STD enabled PCOs, BSNL is offering 30% commission to STD VPTs.) The added factor of security deposit of Rs 250 upon activation of the 95 facilities as compared to zero security deposit of a local VPT seals the disincentive to activate 95/STD.
- (d) Installation of VPTs in private residences resulting in limited public access and misuse of a subsidized public facility. (A rent-free personal connection with 30-50% commission for making private calls is the resultant reward for the usurper of the public access facility). This problem persists in spite of its being pointed out for correction by CCAs and the USF Administration.
- (e) Lack of awareness among the VPT franchisee and users of VPTs alike as to the subsidy element and often as to the fact that this is a *public* facility under aegis of USO (Government initiative.)
- (f) Frequent disruption of services due to faults and disconnection due to non-payment.
- (g) Absence of any genuine and effective grievance redressal mechanism.

4. All these factors are intricately interrelated and reinforce each other to create a situation where as soon as alternatives are available by way of private PCOs, the viability of VPTs is seriously endangered. Given the fact that public access remains the mainstay of rural telephone connectivity, this indifferent treatment by BSNL of STD VPTs is unfortunate and needs to be addressed immediately. The factors that especially need to be remedied by BSNL are discussed below.

³ Data not received from Gujarat, A.P, J&K, Bihar, U.P W and Uttaranchal CCAs

Remedial Action Needed

5. In the light of the above analysis the following suggestions for improvement of performance of VPTs are put forward.

A. Awareness and Public Access

- ❖ Immediate Shifting of VPTs from private residences to places which have guaranteed public access.
- ❖ Compulsory provision of Boards advertising VPT as a Public Access facility in local language. Compulsory display of tariff charts and toll free complaint number/help line.
- ❖ Placement of SSA wise advertisements in local vernacular newspapers by BSNL to advertise and explain their VPT services including the toll free grievance redressal number. Placement of VPT lists in local language on the BSNL Circle's website with phone number and address of the VPT.
- ❖ Submission of complete list of VPTs with Village name, census code, technology, phone number, address and name of franchisee, to CCAs as well as periodic updates on the same, (to account for changes if any), every quarter. This should be in English and the local language.

B. Disconnection

One of the main reasons for poor services from VPTs is the high rate of disconnection due to non-payment. From CCA Office feedback eight percent of VPTs are seen to be DNP/Closed. The present billing schedule makes it virtually impossible to pay the bill within the pay by date. Once the pay by date is over, the payment is no longer accepted at the post office. Thus, the franchisee of the VPT is forced to be a defaulter. Increasing the pay by date to 35 days can considerably reduce the incidence of DNP. This will not only have a positive impact on the performance of the VPTs but it will be beneficial to BSNL also as it would mean sustained functioning of the VPT and therefore inflow of income/revenue. Thus BSNL needs to take action as follows:

- ❖ Explore option of providing pre-paid VPTs so that the possibility of outstanding and DNP is eliminated. However, for the pre-paid VPTs to be successful availability of recharge vouchers will be critical.
- ❖ Till the time pre-paid VPT is not possible, the pay by date should be extended to at least 35 days from bill date so that the VPT franchisee gets a reasonable opportunity to pay the bill within due date.

C. STD Provision

Enabling of STD apart from realizing higher revenue per VPT thus leading to viability of this vital public access facility, will improve the quality of rural life by ensuring national connectivity to villages. Comparative analysis of STD enabled and non STD VPTs reveal substantial difference in revenue implying all VPTs should be

STD enabled. This will encourage greater usage. However to ensure viability of STD VPT the following measures are required:

- ❖ Providing charge indicators compulsorily in all types of VPTs.
- ❖ Increasing the commission rates for STD/95 VPTs to at least 50% and removal of security deposit amount until the monthly-billed amount crosses Rs 200. Subsequently security deposit could be Rs 250/average billing of last six months whichever is more. (Prepaid mode will obviate the need for this aspect altogether). BSNL CO may consider delegation of discretionary powers to CGMs of circles to increase STD PCO/VPT commission rates to match that of Private USPs. This would make the public access facilities a better business model for both the franchisees and BSNL itself. Private USPs are allowing 35-50% commission (or even more) to make inroads into rural PCO business. Thus commercial viability of VPTs need to be strengthened to meet the competition.
- ❖ Effective marketing and advertisement at SSA level to make it easy for VPT franchisee to apply for STD/ISD. A Circle wide toll free number could be used by franchisees to complain in case of non-provision of STD even when asked for.

D. Improving Performance & Grievance Redressal

- ❖ Setting up of grievance redressal mechanism in the form of a Circle wide toll free VPT Help-line. The log of this help line shall be reviewed during internal inspection by USP (CGMT/GMs of SSAs) and during CCA inspections. It should be reviewed every quarter by Head of the SSAs concerned.
- ❖ Enforcement of better fault restoration & performance of VPTs

E. Power

- ❖ To ensure that VPT phones working with CDMA FWTs are not adversely impacted due to erratic rural power supply, all such VPTs must be provided with solar chargers and batteries. (*This issue is dealt with in greater detail in Annexure I*)

F. Value addition to Enhance Utility & Viability

The option of providing Toll free calls from VPTs to local health centers etc may be explored. Depending on technological feasibility, an interesting option is the close user group concept. In this case, the designated telephone of the Health Department and the VPTs that are closest to it can be formed into a close user group by way of CENTREX facility. In this case not only do the calls between the VPT and Health Dept. telephones become charge free but also the calls among the VPTs (which are linked by the same health department number.) become free. This will make the VPT a very powerful tool of communication in rural areas. The Centrex can be provided free of cost in view of the USO subsidy that is being paid. The revenue loss on account of free calls will be nominal because the number of calls from VPT to health center and inter VPT calls will not be very

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large. This appears to be a good option to enhance the value of VPT to rural India as well as render a very important service to the rural population.

G. Improved Monitoring and Responsibility

- ❖ Regular MIS reporting and review of VPTs by CGMTs of BSNL Circles and responsibility for inaccurate claims.
- ❖ Installation of IVRS system for auto checking of VPT numbers instead of manual daily calling and regular screening of by Heads of SSAs/CCAs during inspections.
- ❖ Submission of additional data from the billing system (Billing system reports on Non Incremental Meter Reading (NIMR), Disconnected for Non Payment (DNP) and closed connections) to CCAs in soft copy along with the claims to enable them to cross check veracity of claims.
- ❖ Lump sum penalty as a percentage of SSA's subsidy claim for non adherence to basic aspects of agreement such as provision of boards, tariff charts, complaint booking mechanism and for incorrect claim submission by way of misrepresentation of numbers of faulty, closed, disconnected VPTs, wrong claims for VPTs with full quarter NIMR etc. Penalty shall increase in proportion to the percentage of deviation from prescribed parameters/claimed amount detected during verification.

G. Prepaid Model

- ❖ It has been universally reported by CCAs that private USPs are providing rural PCOs on prepaid model. This creates a win-win situation whereby the USP need not worry about recovery of revenue and sells the recharge coupons to the franchisee net of commission. The franchisee is motivated by the need to earn back his invested amount and therefore will keep PCO open during working hours. There is no security deposit that the franchisee must maintain. As long as recharge coupons are available, there is no fear of disconnection of the VPT due to errors in billing and late /un-reconciled receipt of billed amounts as it happens in post paid systems. BSNL must explore this option for VPTs.

ANNEXURE ISOLAR POWERING OF THE RURAL CDMA FWT

1. Field inspection carried out to monitor rural telephony being provided under Universal Service Obligation (USO) agreements have shown that there is an acute shortage of power in most rural areas. Prolonged power shortages render the subsidised rural CDMA connections (VPTs, RCPs and RDELS) non functional as the battery of the rural CDMA FWT instrument runs out after 2-5 hours depending on type of instrument and accessories provided by telecom operator, the nature of the charging AC supply and the extent of usage.
2. BSNL's efforts to provide rural CDMA FWT phones with external batteries (SMPS) have not adequately addressed this issue.
3. This has been an oft-expressed grievance of the rural population across India. In many Circles it is found that the compulsion of conserving battery power forces rural customers to switch off the connection provided on CDMA FWT unless being used for out going calls. This defeats the purpose of USOF schemes of effectively connecting rural population.
4. Based on information obtained from DDG (RN), BSNL, as of today, 60-65% of the VPTs and 75-80% of the RCPs and RDELS provided by BSNL under USF Agreements are functioning with CDMA FWTs. In case of VPTs provided in uncovered villages the percentage of CDMA connections is around 85%.
5. Given the cost and equipment constraints associated with wire line technology in rural areas, it is understood that even in its future planning for rural connectivity, BSNL is focusing on CDMA technology as a matter of conscious policy.
6. Keeping in view the significance of CDMA technology for rural areas, it is imperative to ensure the viability and utility of rural CDMA telephones as means of effectively connecting the hitherto neglected rural populace.
7. The matter of ensuring the proper functioning of rural CDMA phones becomes even more critical in the context of USOF subsidized public access facilities such as VPTs/RCPs, being on CDMA technology.
8. The Solar Charger cum battery sets designed under project "Sanchar Kiran" by CCA Haryana under a joint initiative with Haryana's Renewable Energy Department (HAREDA) have been found by BSNL Haryana's field staff to provide sustained power supply, keeping the CDMA phone continuously functional, entirely independent of AC supply; as long as there is sufficient solar energy to recharge the battery back up. (Annexure II).
9. Given this proven viability, it can safely be assumed that even an un-electrified village or a household with no electricity connection can be connected through CDMA technology, once the constraint of electric power supply is removed by the use of solar charger cum battery sets.

10. The matter of evolving a generic configuration for solar powering devices customized for BSNL's CDMA handsets was taken up by TEC by USOF Administration. The technical specifications of solar charger cum battery set developed by under Project Sanchar Kira and the reports of the customized solar charger cum battery sets tested by field of BSNL staff had also been forwarded TEC. (Annexure II)

11. TEC in its reply stated that it has framed two GRs, namely No GR/SPV-02/02 MARCH 2004 for Solar Photo Voltaic(SPV) power supply for FWTs power supply and No. GR/SPV-03/02 JUNE 2005, for Telecom equipment. Both GRs have been framed after due consultation process with BSNL and other manufactures. TEC confirmed that the specifications arrived in the GRs cover those mentioned in Suntech Solar Technologies. (Copy of specifications enclosed for information) and that there are already established manufacturers supplying TEC/BSNL QA approved models of these products.

12. Given the fact that :

- Sustained functioning of rural connections will enhance revenue earnings
- Per line costs of CDMA are continuously declining
- VPTs are being subsidized at an average rate of Rs 14,132 and Rs 14,650 per annum for replaced MARR VPTs (before and after 30.6.030 respectively), Rs 25,000 for uncovered villages, Rs 5146 for OPEX ; average subsidy for RCPs is Rs 23200(FLS) plus Rs 2000(EQA) and for RDEIs it is Rs 9937(FLS) plus Rs 789(EQA)

It is felt that solar devices with an average cost of Rs 5000 could be bundled with the customer premises equipment being provided by BSNL at least to its VPTs and RCPS. It is understood that a part subsidy for these devices would make the task easier and enable the use of these devices on a comprehensive level to include even rural household DELS. This would be a very desirable outcome. The same is perhaps possible under the fiscal and financial incentives made available by the Ministry of Renewable Energy Sources (MNES) and Indian Renewable Energy Department (IREDA) to encourage the use of renewable energy.

13. Given this background, it is felt that BSNL should consider extensive field testing of these solar devices as a possible viable option to ensure sustained functioning of rural CDMA FWTs. An experimental order by BSNL covering at least a complete SSA would be advisable. The reports so obtained could be forwarded to this office to enable the USF administration to effectively take up the matter of possible subsidization of manufacturers of such devices by the MNES.

14. Finally in addition to serving the noble objective of effective rural connectivity, this is also an excellent opportunity for BSNL to venture forth into the realm of renewable energy usage for its telecom operations. This could serve as a means of earning carbon credits under the Clean Development Mechanism (CDM) system put in place by the Kyoto protocol. Many government agencies are already doing so, thereby increasing their earnings, while at the same time contributing to the nation's efforts towards a cleaner environment.