

The Accumulation and Proportion of USF
Subsidy Amounts Guidelines, 2008

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1. Introduction

1.1. Rule 24(12) of the USF Rules, 2006 provides that -

“No single licensee may accumulate more than fifty percent of the total amount of USF subsidies awarded by the USF Company in multiple auctions. The period relating to a licensee’s accumulation and proportion of USF subsidy amounts will be defined in guidelines or statements of auction procedures to be issued by the USF Company from time to time”.

1.2 In exercise of the powers conferred under rule 24(12) of the USF Rules, 2006, to define the period relating to a licensee’s accumulation and proportion of USF subsidy amounts, the USF company hereby issues the following guidelines approved by the USF Board in its 9th Board meeting.

2. Title, Commencement and Purpose:

2.1 These guidelines may be called “Accumulation and Proportion of USF Subsidy Amounts Guidelines, 2008”.

2.2 These guidelines shall take effect from the 1st of July 2007.

2.3 The purpose of these guidelines is to enforce and implement the prohibition contained in rule 24(12) of the USF Rules, 2006 that no single licensee may accumulate more than 50% of the total amount of USF subsidies awarded by the USF Company in multiple auctions.

3. Definitions

3.1. In these Guidelines, unless repugnant to the subject or context:-

- a) **“accumulation”** means accumulation by any single licensee of more than 50% of the total amount of USF subsidies awarded by the USF company in multiple auctions; and
- b) **“period”** means the period as defined in Guideline 4 below;

4. Period relating to a licensee’s accumulation & proportion of USF subsidy amount

4.1 The Period relating to the licensees’ accumulation and proportion of USF subsidy amounts will be from 1st July 2007 to 30th September 2008 hereinafter to be called “the period”.

5. First Review of accumulation and proportion of USF subsidy amount

5.1 At the end of the period, the USF Company will carry out its first review in respect of every single licensee’s accumulated subsidies awarded till 30th of September, 2008.

6. Eligibility of Licensees to participate in auctions to be held after 30th of September, 2008 after the first review

6.1 Any Licensee who has accumulated less than fifty per cent of the total amount of USF subsidies awarded by the USF Company in auctions held during the period will be eligible to participate in the auction of the next lot.

6.2 A licensee who, upon first review, is found to have accumulated more than fifty per cent of the total amount of USF subsidies awarded in auctions held during the period, will not be eligible to participate in the auction of next lot(s), till such time that the proportion of USF subsidy amounts accumulated by that licensee, falls below 50% of the total USF subsidies awarded up to that time.

7. Subsequent Reviews.

7.1 After the First Review to be carried out at the end of the period, similar Reviews will be carried out at the conclusion of the auction process of each future lot and only those licensees who have accumulated less than fifty per cent of the total amount of USF subsidies awarded at the time of the review, will be allowed to participate in the auction of the next lot.

8. USF Company to notify the Licensee.

8.1. A licensee disqualified as a result of application of rule 24(12) of the USF Rules, 2006 will be communicated of his disqualification through a written notification in the form set out in Annex I.

8.2. A licensee disqualified in a particular Review may qualify to participate in future lots if after the award of any lot subsequent to his disqualifications, the overall proportion of the accumulated subsidies awarded to that licensee falls below the benchmark of fifty per cent of the total amount of USF subsidies awarded. A licensee so qualifying shall be notified of such an occurrence through written notification in the form set out in Annex II.

9. Eligibility under the Rule not linked with Registration for auction of a particular Lot.

9.1 The process of evaluating the eligibility of a licensee to participate, in a particular bid, under rule 24(12) is a separate eligibility criterion, one which is not linked to the registration

process. Thus, a licensee will not be qualified to participate in the auction of a lot, even if he may have already been registered by USFCo, if it is determined upon review that the licensee's accumulated USF subsidy amount is more than 50% of the total USF subsidies already awarded.

10. Calculation Methodology

- a. The calculation methodology employed will be a simple one:
Each licensee's subsidies will be added to arrive at his accumulated subsidies awarded up-to the Review date, that is 30 of September 2008.

Accumulated Subsidy awarded to Licensee A = a

Accumulated Subsidy awarded to Licensee B = b

Accumulated Subsidy awarded to Licensee C = c

Accumulated Subsidy awarded to Licensee D = d

And so on...

Total subsidies awarded up-to Review date = a+b+c+d+... = t

Benchmark: 50% of the Total subsidies awarded up-to Review date = t x 0.5 = q

If any Licensee's above mentioned Accumulated Subsidy is higher than q, that licensee will not be eligible to participate in the next bid.

A sample calculation is being produced below:-

b. SAMPLE CALCULATION

If, for example, the subsidies have been allotted during the Period in the following manner:

Lot	Successful Bidder/Licensee	Subsidy (Pak Rs.)
1	Bidder/ licensee A	310 Million
2	Bidder/ licensee B	112 Million
3	Bidder/ licensee C	91 Million
4	Bidder/ licensee B	450 Million
5	Bidder/ licensee C	50 Million

Then the respective accumulated subsidy amounts will be:

Bidder	Calculation of Accumulated Subsidy Amount	Accumulated Subsidy Amount
Bidder/ licensee A	$(310 \text{ m} + 0 \text{ m}) =$	310 m
Bidder/ licensee B	$(112 \text{ m} + 450 \text{ m}) =$	562 m
Bidder/ licensee C	$(91 \text{ m} + 50 \text{ m}) =$	141 m
	Total Subsidies awarded	1,013 Million
	Benchmark: 50% of the Total Subsidies awarded	530.5 Million

Thus in the above example, since Bidder B's accumulated subsidy (562 m) is higher than 50% of total subsidies awarded (530.5 m) therefore Bidder B will not be eligible to participate in the next Lot.

NOTICE OF DISQUALIFICATION PERSUANT TO RULE 24(12) OF USF RULES

**Chief Executive Officer
Address of the bidder**

Date:

SUBJECT: COMPLIANCE OF RULE 24(12)
DISQUALIFICATION FROM PARTICIPATION IN USF LOT #-----

Dear Sir,

USFCo regrets to inform that as a result of a Review carried out on [insert date of Review], it has been noticed that the licensee, [insert name] has already won more than 50% of the subsidy amount awarded by USFCo during the period of July 01, 2007 to [insert date of Review].

Therefore and in accordance with rule 24(12) of the USF rules notified vide S.R.O. # 1132 (1)/2006 dated Nov 01, 2006 and its subsequent amendment vide S.R.O. # 567 (1)/2007 dated Jun 05, 2007, [insert name of the bidder] is not eligible to participate in the auction of the [insert name of the next lot to be auctioned] Lot to be held on [insert date of auction of the lot].

It is also pointed out that if as a result of the next Review, to be carried out at the conclusion of the auction of the above mentioned lot, the proportion of the accumulated subsidy amount awarded to [insert name of the bidder] falls below the benchmark of 50% of the total subsidies awarded up-to the Review, then [insert name of the bidder] will again become eligible to participate in the next lots.

Regards.

Parvez Iftikhar
Chief Executive Officer
Universal Service Fund Company

NOTICE OF QUALIFICATION PERSUANT TO RULE 24(12) OF USF RULES

Date:

**Chief Executive Officer
Address of the bidder**

SUBJECT: COMPLIANCE OF RULE 24(12)
QUALIFICATION TO PARTICIPATION IN USF LOT #-----

Dear Sir,

USFCo is pleased to inform you that as a result of a Review carried out on *[insert date of Review]*, it has been determined that the proportion of subsidies awarded to *[insert name of the bidder]* has fallen below the benchmark of 50% of the subsidies awarded by USFCo during the period of July 01, 2007 to *[insert date of Review]*.

Therefore and in accordance with rule 24(12) of the USF rules notified vide S.R.O. # 1132 (1)/2006 dated Nov 01, 2006 and its subsequent amendment vide S.R.O. # 567 (1)/2007 dated Jun 05, 2007, *[insert name of the bidder]* is now again eligible to participate in the auction of the *[insert name of the next lot to be auctioned]* to be held on *[insert date of auction of the lot]*.

Regards.

Parvez Iftikhar
Chief Executive Officer
Universal Service Fund Company