

# CONSULTATION DOCUMENT

## PROPOSED INCREASES TO THE UNIVERSAL SERVICE FUND CONTRIBUTION RATE

JULY 2014

1. The National Telecommunications Regulatory Commission St. Vincent and The Grenadines (NTRC SVG) has created a consultative document containing our recommendation for proposed increases to the Universal Service Fund Contribution rate payable by telecommunications providers.

Currently the contribution rate as outlined in the Telecommunications USF Contribution Order 2008 mandates providers to a maximum contribution of 1% gross annual revenue. However, there is a need for increased fund scope especially towards the accomplishment of the Millennium Development Goals (MDGs), particularly those pertaining to poverty reduction, health, environment and education. In order to do this the NTRC SVG is proposing an increase to the contribution rate as outlined in this consultation document.

2. A copy of the Draft Guidelines for response to the document can be found on page 3 of this Consultative Document.
3. The initial comments period will run for 6 weeks from 1<sup>st</sup> July to 12<sup>th</sup> August 2014.
4. The Comment on Comments period will run for 4 weeks from 13<sup>th</sup> August to 9<sup>th</sup> September 2014.

5. Following the Comments on Comments period, the NTRC will take all comments into consideration in finalizing our recommendation to the minister to amend our current regulations.

6. All responses to this Consultative Document should be written and sent by post, fax or e-mail to: -

Director / Secretary

NTRC

P.O. Box 2368

Kingstown

St. Vincent and the Grenadines

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Email: [ntrc@ntrc.vc](mailto:ntrc@ntrc.vc)

Disclaimer

This consultative document does not constitute legal, commercial or technical advice.

## Suggested Guidelines for Responses to Consultations

In order to promote faster processing of views expressed and to reduce administrative lags in the consultation processes, the NTRC hereby recommends that parties desirous of responding to the consultation follow the procedures outlined below. The NTRC will be grateful if commenting parties could please observe these guidelines as much as possible.

- 1) Responses to consultations should be clearly labeled as a response to the “NTRC / USF Proposal to Increase the USF Fund Contribution Rate” .
- 2) The response should contain; the Name of the commenting Party/Licensee/NTRC, respective address and contact information. This will enable the NTRC SVG to clarify any comments where necessary, or to facilitate follow-up dialog by the NTRC SVG where required.
- 3) All comments should be submitted in a separate PDF document with the appropriate reference to page and section of document.
- 4) Provide all supporting documents in justification of your recommendations.

The NTRC SVG is grateful to those parties adopting the recommended guidelines for submitting comments.

National Telecommunications Regulatory Commission  
St. Vincent and the Grenadines

Proposed Increases to the Universal Service Fund contribution Rate in Saint Vincent  
and the Grenadines.

Consultation Paper

## **1. Introduction**

In today's hyperconnected, hypercompetitive world, propelled by the forces of globalization, it is very rare for countries to progress economically, without significant investments in Information and Communication Technology (ICT). The importance of ICT in facilitating and cultivating development and economic competitiveness has become so profound that modern day economists have labelled it a factor of production among the classical factor inputs: land, labour, capital and enterprise. The Government of St. Vincent and the Grenadines recognizes the growing importance of ICT especially towards the accomplishment of the Millennium Development Goals (MDGs), particularly those pertaining to poverty reduction, health, environment and education through:

- i. The creation of economic opportunities;
- ii. The effective and efficient management of processes which deliver basic but essential service, including education and healthcare at reduced cost and with increased coverage;
- iii. The development of human and technical capacity to measure, monitor and report progress on the goals (MDGs) and strategies to achieve those goals.

The Government is also cognizant of the fact that although its efforts towards enabling more competition in the market for ICT service provision, with its attendant benefits, have proven fruitful thus far, the challenges confronting the sector, particularly those related to the digital divide gaps, will never be solved by relying only on market oriented solutions. In 2008, the Government established the Telecommunications (Universal Service Fund) Regulations. The Universal Service Fund was established in 2001 under section 42 of the Telecommunications Act (CAP 418) of the Revised Laws of St. Vincent and the Grenadines, 2009, with a defined mandate to facilitate projects aimed at closing the connectivity gaps in SVG and facilitating training and content development. The Fund is managed by the National Telecommunications Regulatory Commission (NTRC) which collects, disburses and makes relevant decisions with regards to the proper and effective management of the Fund.

To operate the Fund, 1% of the gross revenue of the service providers is collected annually. Through its successful efforts that gazetted the Telecommunications Regulations, the NTRC has been able to collect these contributions in a timely manner since 2008. In spite of this very low percentage, the USF has documented success in the implementation of several initiatives since its establishment. Specifically, seven projects have been financed under the Universal Service Fund:

- 1)** In December 2010, the Internet Project was signed. This project resulted in twelve (12) Learning Resource Centers being equipped with interior and exterior wireless high speed internet connections, nine (9) rural schools were outfitted with exterior high speed wireless Internet connections, four (4) Community Centers were outfitted with interior and exterior wireless internet access points with the Chapman's and Orange Hill's Centers being additionally equipped with five (5) Desktop computers each. In Addition, three (3) other Community Centers were outfitted with interior and exterior wireless Internet access points and five (5) Desktop computers each. This project was implemented by LIME and cost an estimated EC\$427,608.98. The NTRC commissioned all of the services and equipment at the 28 community locations under this project on July 6th 2011. The project is for a period of five years.
- 2)** On June 6, 2012, the Schools Project, which provides internet services to all 107 educational institutions via interior and exterior high-speed wireless to each location, was commissioned. Implemented by LIME, the cost of this project totaled EC\$5,230,623.00. The contract was signed on June 7, 2011 and will be for a five year period.
- 3)** The Payphone Project was signed on December 2, 2011 for a total of \$1,337,322.37. As a result, 25 payphones have been installed at various locations including tourism sites, beaches and at points along the main road. In addition, Internet access has been provided at these tourism sites and beaches. This project was implemented by LIME and will be for a period of five years.
- 4)** In November 2012, the Maritime Project was commissioned. This Global Maritime Distress and Safety System (GMDSS) allows access to both emergency and non-

emergency communications from maritime areas within St. Vincent and the Grenadines. An equipment contract, costing EC\$1,125,781.00, was signed on December 20<sup>th</sup> 2011 and a contract was entered into with LIME on November 20<sup>th</sup> 2012 for the provision of maintenance of the system for a period of 5 years – the second phase.

- 5) On November 20<sup>th</sup> 2012, the contract for the Police and Health Center Project was signed. This project is aimed at providing wireless Internet access at all 29 Police stations and 42 Health Centers throughout St. Vincent and the Grenadines at a minimum speed of 8 Mbps for a total cost of EC \$711,015.00. It is being implemented by Karib Cable and is for a two year period.
- 6) On November 20<sup>th</sup> 2012, the contract for the Community Center Project was signed. This project is geared towards providing free wireless Internet access at 14 Community Centers in various communities throughout St. Vincent and the Grenadines at a minimum speed of 8 Mbps for a total of \$119,503.27 EC. It is being implemented by Karib Cable covering a two year period.
- 7) On November 20<sup>th</sup> 2012, the contract for the SMART project was signed. It is anticipated that this project, among other initiatives, will facilitate the necessary infrastructure and platforms at the St. Vincent and the Grenadines Community College that will enable the institution the capacity to offer its existing and new courses and programmes online and in real time. In addition, 340 households are expected to benefit from subsidized internet access at a price of \$10 per month for a maximum of 2 years. This project is estimated to be executed for a total of EC\$1,698,994.00 and is being implemented by LIME for a five year period.

As the evidence shows, the NTRC has done a lot with the very little it has collected through the Universal Service Fund. While this paints a positive picture of the works undertaken with the USF, the NTRC is very conscious that the reality of large connectivity gaps still persists in St. Vincent and the Grenadines. There is the need for increase scope of the fund to target more local content development and ICT training initiatives in addition to filling the connectivity gaps. Furthermore, they are cognizant that much work is needed to put the country on a path that would enable it to achieve its Millennium Development Goals (MDGs) while at the same time remaining sustainable in the face of increased

international competition and globalization. The NTRC has outlined the following priority objectives for the upcoming year:

1. The development of a project which will assist in emergency communication during times of natural or manmade disasters either at the national level or at the community level.
2. The development of a project to introduce wireless internet access and voice communications capabilities at two remote locations frequently visited by locals and tourists.
3. A project to increase the amount of rural internet access points throughout the country. This project will place additional free wireless internet access points in different villages throughout the country.
4. A project to provide wireless internet access at playing fields and hard courts throughout the country. This project will focus on providing wireless internet access to persons going to the various playing fields throughout the country.
5. A project to provide basic computer training to individuals throughout St. Vincent and the Grenadines. This project will provide training to individuals of various ages who have little to no computer literacy skills.
6. A project to provide computers and internet access at subsidized rates to needy individuals throughout St Vincent and the Grenadines.
7. A project to outfit community libraries throughout the country with computers and internet access.
8. A second project to expand the number of payphones and security cameras available nationwide at critical locations. The scope of the first project had to be reduced due to funding constraints.
9. A project to facilitate the increase of the current average speeds offered by our telecommunication service providers to households. Of special importance is upload speeds. Without proper upload speeds proper two way communication is limited.
10. A project to provide high speed internet access to the specific groups of individuals within targeted communities throughout St Vincent and the Grenadines.

11. A project to supply senior citizens with emergency response devices across the country.
12. A project to students with disabilities with braille and teleprinter electronic devices at the School for Children with Special Needs Kingstown, St. Vincent and the Grenadines. ‘
13. A project to supply areas that are frequently visited with wireless internet access across St. Vincent and the Grenadines
14. A project to supply the St. Vincent and the Grenadines Community College Division of Arts, Sciences and General Studies and Division of Technical and Vocational Education with printers.
15. A project to provide streaming of events that the Agency for Public Information (API) usually cover.
16. A project to provide training in various IT bases programs at various Learning Resource Centres throughout the Country.

The NTRC has predicted that the costs to implement these projects and other aspirations, essential for the development of ICT in SVG, would be significantly higher than the current rate of contribution received from the telecommunication providers. As stated previously, the USF is serviced mainly through a 1% levy on the gross revenue of the Telecommunications service providers. Over the past five years, a net of EC\$7,496,075.36 has been received. Contributions to the USF have followed a downward path since the 2008 global financial and economic crisis making the vision of the USF even more challenging to attain.

### **17. Purpose of Consultation**

It is against this backdrop that the NTRC proposes to increase the rate of the USF contribution. This consultative document therefore seeks to serve as the blueprint for the creation of new a rate structure, specifically a Multiple Rate Framework. This proposed Multiple Rate Framework becomes relevant as the NTRC seeks not just to

amass additional revenues to execute its vision but more importantly to encourage greater penetration of Internet service in the country at both the fixed and mobile level. The NTRC believes that the latter might be a good approach to serve as an incentive to the service providers for offering new services specifically data and internet oriented services instead of concentrating primarily on voice services which at this time still makes up around 53% of their revenue. Indeed, data (internet) services specifically at the mobile level via 3G and 4G services can drive more productivity at the personal, firm and national level. In St Vincent and the Grenadines Fixed Internet Penetration stands at 12 percent in 2013. This is however significantly below the Fixed Internet Penetration of developed countries. It is therefore an overarching goal of the NTRC to improve internet penetration possibility to the extent of 100 percent. Also, strategies must be developed to enhance the speed of internet services.

The NTRC is mindful that a Multiple Rate Structure can increase the complexity of the operation of the USF and as such, can result in additional administrative costs. Moreover, a multiple rate system is more difficult to monitor and sometimes violates the principle of simplicity, which is a pillar of an efficient levy system. In light of these theoretical challenges, it is important to note that the Telecommunications market in St Vincent and the Grenadines has only three suppliers. Possible cost implications and increased complexity is therefore likely to be small and perhaps, immaterial.

## **18. Economic Resilience**

The economy of St Vincent and the Grenadines has been negatively affected by the effects associated with the 2008 global financial and economic crisis. Any modification to the USF rate must take into account the realities of the global, regional and domestic economy and the performance of the domestic telecommunications providers amidst the crisis. Consulting these factors will indicate the ability of the service providers to pay the additional levy charges from profits as well as liquidity. A summary of their performance follows.

The telecommunication services providers have shown resilience and tenacity over the past five years. Revenues of Karib Cable Ltd grew at an average annual rate of 8.5% to

EC\$16,958,993.00 while those for Digicel and Lime remained stable around their average of EC\$58,074,216.00, and EC\$69,983,500.00, respectively. Fairly high profits margins were recorded over the review period. Karib Cable registered operating profit margins in excess of 44 percent while its net profit margin followed a declining trend for the four years (from 60.6% in 2007 to -2.4% in 2010) but recovered in 2011 to 12.6 percent. Digicel saw rising margins in both gross and net profits. Digicel's gross profit margin accelerated from 73.2 percent in 2007 to about 81 percent in 2011. Similarly, its net profit margin climbed from 15.4 percent in 2007 to 29.2 percent in

2011. As it regards LIME, the gross profit margin rose steadily throughout the study period to 79.4 percent in 2012, while the net profit margin decline from 30.4 percent in 2007 to -0.7 percent in 2012.

In relation to liquidity capacity, all three service providers have seen positive cash flows generated from operating activities and cash balances are trending upwards after being depressed in 2007 to 2009 following the crisis. Tables 1.0, 1.1 and 1.2 provide further information.

**Table 1.0 Karib Cable Limited Financial Performance and Position**

Karib Cable Ltd Financial Performance and Position For the Year ended 31st August					
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
	\$	\$	\$	\$	\$
Revenue	12,276,134	12,589,316	13,753,092	15,040,618	16,958,993
Direct costs	5,686,058	5,127,859	4,615,238	8,304,135	7,168,870
Operating profit	6,590,076	7,461,457	9,137,854	6,736,483	9,790,123
Net profit	7,437,815	3,120,847	1,909,959	(363,059)	2,133,773
Cash and cash equivalents	511,144	297,236	124,485	395,856	495,093
Cash generated from operations	4,315,715	8,998,918	6,504,087	1,044,746	4,594,534
<b>Operating Profit Margin</b>	<b>53.7%</b>	<b>59.3%</b>	<b>66.4%</b>	<b>44.8%</b>	<b>57.7%</b>
<b>Net Profit Margin</b>	<b>60.6%</b>	<b>24.8%</b>	<b>13.9%</b>	<b>-2.4%</b>	<b>12.6%</b>

*Source: Audited financial statements*

Table 1.1 Digicel Ltd Financial Performance and Position

DIGICEL					
Financial Performance and Position					
For the Year ended 30th March					
	2008	2009	2010	2011	2012
	\$	\$	\$	\$	\$
Revenue	57,351,730	61,040,040	57,931,670	56,595,640	57,452,000
Cost of Sales	15,365,700	14,138,070	11,991,750	10,357,620	10,357,620
Gross profit	41,986,030	46,901,970	45,939,920	46,238,020	46,238,020
Net profit	8,840,020	12,297,980	14,062,190	15,845,370	16,802,000
Cash and Cash equivalents	6,227,580	2,349,570	1,615,160	3,550,100	9,157,090
Cash generated from operations	3,788,580	14,208,530	10,403,690	19,904,950	13,352,170
<b>Gross profit Margin</b>	<b>73.2%</b>	<b>76.8%</b>	<b>79.3%</b>	<b>81.7%</b>	<b>80.5%</b>
<b>Net Profit Margin</b>	<b>15.4%</b>	<b>20.1%</b>	<b>24.3%</b>	<b>28.0%</b>	<b>29.2%</b>

Source: Audited financial statements

Table 1.2 LIME Financial Performance and Position

LIME						
Financial Performance and Position						
For the Year Ended 30th March						
	2007	2008	2009	2010	2011	2012
	\$	\$	\$	\$	\$	\$
Revenue	31,022,000	88,831,000	81,661,000	77,890,000	72,856,000	67,641,000
Cost of Sales	13,412,000	25,759,000	20,745,000	18,599,000	15,102,000	13,931,000
Gross Profit	17,610,000	63,072,000	60,919,000	59,291,000	57,844,000	53,710,000
Operating Costs	14,172,000	46,757,000	48,400,000	43,364,000	47,694,000	51,174,000
Operating Profit	3,438,000	16,315,000	12,516,000	15,927,000	10,150,000	2,536,000
Net Profit	9,436,000	8,999,000	6,989,000	10,008,000	5,260,000	-447,000
Cash and Cash Equivalents	4,756,000	5,544,000	4,551,000	270,000	3,000,000	110,000,000
Cash generated from operations	6,774,000	14,726,000	18,308,000	15,957,000	9,603,000	11,962,000
<b>Gross Profit Margin</b>	<b>56.8%</b>	<b>71.0%</b>	<b>74.6%</b>	<b>76.1%</b>	<b>79.4%</b>	<b>79.4%</b>
<b>Operating Profit Margin</b>	<b>11.1%</b>	<b>18.4%</b>	<b>15.3%</b>	<b>20.4%</b>	<b>13.9%</b>	<b>3.7%</b>
<b>Net Profit margin</b>	<b>30.4%</b>	<b>10.1%</b>	<b>8.6%</b>	<b>12.8%</b>	<b>7.2%</b>	<b>-0.7%</b>

Source: Audited financial statements

This analysis of the service providers' performance shows that the telecommunications providers are holding their own amidst the crisis and ,given their revenue and liquidity

streams, they have the financial capacities to make a greater contribution to the USF, towards the fight of closing connectivity gaps in St Vincent and the Grenadines.

### **19. Significant Market Power (SMP)**

One flipside that must be given significant consideration is the market structure of telecommunications industry. Karib Cable Limited, although involved in the provision of various services, is the sole provider of Cable TV and thus has monopolist power in the market for Cable TV. Digicel and LIME are the main providers of mobile services including voice, data and internet services and also the sale of handsets and equipment, giving them oligopolistic power. These two market forces, monopoly and oligopoly, give the service providers a high degree of control over the pricing of services. Intuitively, any adjustment to the USF rate could result in a shifting of the tax burden to the consumers with an increase in the price of telecommunication services. This could in turn affect the rate of inflation.

### **20. Inflation Rate**

In considering the additional revenue to be contributed from the USF, we assess the overall level of prices in St Vincent and the Grenadines. The overall price level, inflation rate, gives an indication of the cost of living in the economy and as such, how much a levy increase could reduce the purchasing power of Vincentians. The rate of inflation over the past four years (2009- 2012) averaged 1.8 percent, which is low, compared to rates for other CARICOM member states over this review period. In light of this, we believe that the burden of proposed to upward adjustments to the USF rate, shifted to consumers, may not cause any major deterioration to their overall purchasing power both domestically and regionally. Table 1.3 provides information on the rate of inflation in across CARICOM States. It is also important to note, that with increasing improvements and advances in technology worldwide, the overall cost of ICT service provision continues to trend downwards.

### **21. Multiple Rate Framework**

In light of this, we are of the firm believe that any shift in the burden of the proposed USF levy will be partly or perhaps substantively mitigated by cost reductions in the provisions of ICT services by service providers.

**Table 1.3: Rate of Inflation for CARICOM Countries**

<b>Rate of Inflation for CARICOM Member States</b>					
<b>Country</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Average</b>
Antigua and Barbuda	-0.6	3.4	3.5	3.4	<b>2.4</b>
The Bahamas	1.9	1.3	3.2	2.0	<b>2.1</b>
Barbados	3.7	5.8	9.4	4.5	<b>5.9</b>
Belize	-1.1	0.9	1.5	1.3	<b>0.7</b>
Dominica	0.0	2.8	1.3	1.4	<b>1.4</b>
Grenada	-0.3	3.4	3.0	2.4	<b>2.1</b>
Guyana	3.0	3.7	5.0	2.6	<b>3.6</b>
Haiti	3.4	4.1	7.4	6.8	<b>5.4</b>
Jamaica	9.6	12.6	7.5	6.9	<b>9.2</b>
St. Kitts and Nevis	2.1	0.6	7.1	1.4	<b>2.8</b>
St. Lucia	-0.2	3.3	2.8	4.2	<b>2.5</b>
St. Vincent and the Grenadines	0.4	0.8	3.2	2.6	<b>1.7</b>
Suriname	0.0	6.9	17.7	5.0	<b>7.4</b>
Trinidad and Tobago	7.0	10.5	5.1	9.3	<b>8.0</b>

*Source: IMF Database*

Taking into consideration the above discussion, particularly the need to achieve an adequate trade-off between:

- (i) the need for additional revenues;
- (ii) providing an incentive to service providers for offering new services specifically data oriented services instead of concentrating primarily on voice services and Cable TV provisions as the former services can drive more productivity at the personal, firm and national level;
- (iii) increased complexity of the USF rate system which could result in additional administrative costs

the following rate structure is proposed:

- a) An increase in the contribution made on revenues generated by Fixed Voice Calls to 3 % in the first year (2014), 4 % in the second year and 5 % each year after.
- b) An increase in the contribution made on revenues generated by Mobile Voice Calls to 3% in the first year (2014) then an increase of 2 % each year after.
- c) An increase in the contributions made on revenues generated by Cable TV. For the basic package the change to the contribution is proposed to be 3% in the first year (2014), 4 % in the second year and 5 % each year after. For premium packages, the contribution on these revenue is 10% each year from 2014.
- d) Contribution on revenues generated by DATA and Internet Services remain at 1% for the first three years (commencing 2014) and then 2 % each year after.
- e) Other revenues remain at 1% annually.

**Table 1.4 Proposed Rate Structure**

	Cable TV		Internet and Mobile Data	Fixed Line	Mobile	Other revenue
	Basic Package	Premium Packages				
<b>2014</b>	3%	10%	1%	3%	3%	1%
<b>2015</b>	4%	10%	1%	4%	5%	1%
<b>2016</b>	5%	10%	1%	5%	7%	1%
<b>2017</b>	5%	10%	2%	5%	9%	1%
<b>2018</b>	5%	10%	2%	5%	11%	1%

Figure 1 provides forecasted USF revenues for the period 2014 - 2018 under the proposed rate structure. In this forecast scenario, we employ the heroic assumption that, holding all other things constant, revenues for each component across the three services provides remain tantamount to 2012 over the period 2014 – 2018. Approximately, it is predicted that EC\$3.1 million will be collected in 2014, EC\$4.5 million in 2015, EC\$5.8 million in 2016, EC\$7.2 million in 2017 and EC\$8.2 million in 2018. Cable & Wireless and Digicel are projected to remain the prime contributors to the USF. A detailed analysis of forecasted revenues to be collected across service providers is provided in Appendix 1.

It is important to note, however, that there is a high probability that the revenue structure of the service providers could change over the medium term. The NTRC is of the firm belief that the service providers would modernize their operations towards the provision of mobile data and internet services with less emphasis on voice services, in line with the ICT movement, globally. In addition, the lower USF rates proposed for revenues generated by mobile data and internet services is expected to serve as an incentive to the service providers for offering new services specifically data and internet oriented services instead of concentrating primarily on voice services.

**Figure 1 Forecasted USF Revenues under Proposed Rate Structure**

Forecasted USF Revenues Under New Rate Structure										
	2014		2015		2016		2017		2018	
	Revenue	%Contribution								
Cable & Wireless	1,384,121	43.5%	1,886,919	41.6%	2,389,717	40.6%	2,885,004	40.0%	3,182,898	38.6%
Digicel	1,244,975	39.1%	1,982,517	43.7%	2,720,060	46.2%	3,507,794	48.7%	4,245,336	51.5%
Karib Cable	554,142	17.4%	665,830	14.7%	777,517	13.2%	815,487	11.3%	815,487	9.9%
<b>Total revenue</b>	<b>3,183,239</b>		<b>4,535,266</b>		<b>5,887,293</b>		<b>7,208,285</b>		<b>8,243,722</b>	

**Cable & Wireless**

Cable & Wireless currently contributes \$676,421.00 to the fund. The majority of its revenue comes from its FPT licence. Fixed revenue is 58% of its total revenue. The actual and proposed USF Contributions follow after applying the various rate increases to the relevant services:

TABLE 1.5 CONTRIBUTION					
1%	2014	2015	2016	2017	2018
676,421	1,384,121	1,886,919	2,389,717	2,885,004	3,182,898

Table 1.6 shows the additional amounts that will be paid by Cable & Wireless if the contribution is increased to the various rates:

TABLE 1.6 Additional Contribution				
2014	2015	2016	2017	2018
707,701	1,210,498	1,713,296	2,208,583	2,506,478

## **Digicel**

Digicel currently contributes EC\$507,432.62 to the fund. Revenue from local mobile calls is 63% of its total revenue. The actual and proposed USF Contributions follow after applying the various rate increases to the relevant services:

<b>TABLE 1.7 CONTRIBUTION</b>					
<b>Current</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
507,433	1,244,975	1,982,517	2,720,060	3,507,794	4,245,336

The additional funds to be contributed by Digicel in each category follows:

<b>TABLE 1.8 ADDITIONAL CONTRIBUTION</b>				
<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
737,542	1,475,085	2,212,627	3,000,361	3,737,904

## **Karib Cable**

Kairb Cable currently contributes \$41,094.00 to the fund as the Cable services licence was previously finalized. Revenue from this service is 71% of its total revenue. The table 1.9 shows the amount to be contributed by this company if the USF Contribution is increased by the various rates applied to the different services.

<b>TABLE 1.9 CONTRIBUTION</b>					
<b>Current</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
41,095	554,142	665,830	777,517	815,487	815,487

Table 1.10 shows the additional contribution to be made by Karib Cable if the USF Contribution was increased by the various rates:

<b>TABLE 1.10 ADDITIONAL CONTRIBUTION</b>				
<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
513,048	624,735	736,422	774,392	774,392

In conclusion, this document seeks to serve as the blueprint for a new USF rate structure. USF is a Fund, managed by the NTRC, with a mandate to bridge connectivity gaps in St Vincent and the Grenadines. Since operationalized, contributions to the USF have followed a declining trend and this has slowed the implementation of the mandate of the USF. In light of this, the NTRC has devised a new rate structure, specifically a Multi-Rate Framework. Under this Framework it is predicted that approximately EC\$3.1 million will be collected in 2014, EC\$4.5 million in 2015, EC\$5.8 million in 2016, EC\$7.2 million in 2017 and EC\$8.2 million in 2018. These projections in USF revenue is based on the assumption that the companies do not move to 3g and 4g mobile technologies within the period under question. If they do move, which is our objective, then the projected revenues will be lower. We believe this will go a long way towards not only bridging digital divide gaps in St Vincent and the Grenadines but also towards the accomplishment of SVG's Millennium Development Goals (MDGs), particularly those pertaining to poverty reduction, health, environment and education. It is important to note, however, that there is a high probability that the revenue structure of the service providers could change over the medium term. Moreover, the NTRC is of the firm belief that the service providers would modernize their operations towards the provision of mobile data and internet services with less emphasis on voice services, in line with the ICT movement, globally and also the incentives provided in proposed rate structure in the form of lower proposed rates on mobile data and internet services.

### **Request for Comments**

The NTRC invites comments from interested parties on any aspect of these proposed increases.

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