



National Telecommunications
Regulatory Commission
St. Vincent and the Grenadines

Ref No.: *COR/ECTEL*

January 7, 2016

Mr. Embert Charles
Managing Director
ECTEL
Vide Boutielle
P. O. Box 1886
St. Lucia

Dear Mr. Charles

Comments on the Universal Service Fund Public Consultation Paper

Having reviewed the Consultation document our NTRC wishes to make the following comments:

- 1. Section 2, Page 4. Refers to taking into account best regulatory practices for USF. Our NTRC fully supports looking at best practices globally that may be applicable to our current context in the ECTEL member states. However our NTRC is of the view that innovation does not flow from best practices . As such, we need to also look carefully at those issues and needs that have risen over the last seven years with our USFs within the sub region and see what innovative solutions we have developed already or can develop to address them. Such solutions can then be the seed for future best practices regionally and globally.**
- 2. Our NTRC is not in agreement with a maximum of 2% as outlined in section 3 (xviii) on page 7. We would be grateful if ECTEL could clarify how this maximum figure was arrived at as the consultation paper has no information on it. Can the additional revenue from this increase also cater for contributions into the proposed “regional fund”? Our NTRC still prefers a tiered rate structure as documented in the attached paper prepared by the NTRC in 2014.**



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NTRC SVG



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3. **If one is to look at the USF contribution rates listed in annex two of the consultation paper that are more recently established it will be seen that they have higher rates than 2%; that they also have different rates on different services. Such was the strategy in the consultation document that our NTRC had developed and proposed in 2014. Is there a reason why ECTEL does not want to adopt a similar policy which seems to be also a best practice in a number of countries?**
4. **Sections 2.2, 2.3 and 2.4 on page 9 all refer to work done in the USA in relation to their USF. Noting this, our NTRC will like to know if there was a valid reason why the USA was not one of the countries listed in Annex 2 of the consultation paper that compares the USF contribution rates of a number of Countries globally.**
5. **Is there a valid reason for including provisions for audited statements, etc. to be submitted by service providers as outlined in section 2.7 on page 10? Is this an area where our regulatory institutions are having difficulties with currently? To the best of our knowledge, our current regulatory framework already require audited statements to be provided by service providers. Further, are there existing problems collecting USF fees from service providers which these proposed provisions will fix? Our NTRC is of the view that we should not try developing new regulatory provisions that are not necessary. Any new regulatory provision increases the regulatory burden (additional work) on all parties concerned.**
6. **Section 2.12 (ix), page 12. On the issue of “ECTEL recommends the establishment of reserve funds for contingencies and if agreed the making of rules for use of the reserve fund”. Our NTRC is not clear on the purpose of a reserved fund. What contingencies will there be? Our NTRC has operated a USF for around seven years now and have not seen any need for contingencies for our projects.**



Who will be responsible for managing such reserve funds? What will be the basis used to determine the contribution towards such a fund? Is the proposed contribution rate increase be sufficient to cater for a contribution to this new fund that would be of a practical value?

- 7. Section 2.12(x), page 12. While our NTRC supports a regional fund we need to agree on what percentage of the contribution goes into this fund. Also we have to be very clear why we need the fund. Saying “cross border” activities is not sufficient. ECTEL needs to clearly outline what is meant by “cross border” activities and how it will differ from normal fund activities.**

- 8. Section 3.3 (xiii), page 13. In relation to the use of the USF for the provision of entrepreneur startups, will these be considered as projects carried out by the USF or will the USF be a silent partner without benefits i.e. will the USF receive any returns from their future profits? Additionally, if these are not considered projects who will be determining their validity.**

- 9. Section 6.3, page 15. This section seems to put a cap on the increase of the USF contribution to 0.25% in any one year. We are asking that ECTEL carefully review this proposal in our context and maybe for other islands as well. The actual revenue that will be received if an increase is warranted based on the implementation rate of a USF in one of the ECTEL states will be directly related to gross revenues. Using St. Vincent and the Grenadines who is already at 100% implementation rate and have not be able to tender any new projects for the last 3 years due to lack of funds, we can only look forward to approximately \$300,000.00EC in new revenue for the first year. This amount is grossly inadequate to fund any new USF projects plus meet the needs of the new provisions being proposed in the document (funding startups, regional fund, reserve fund, etc.). Our NTRC is suggesting in the worst case scenario that any increase should not**



be less than 0.5% in the first year of any new contribution rate system.

At this present time, our country is still at too low a level in a number of global ICT indicators and with very low competition in the sector we cannot expect to see the service providers implementing policies and programmes on their own to substantially change these in the short and medium term. Our economy is highly dependent on all our citizens being connected and connected to content that is relevant to our sustainable development of our OECS and Caribbean civilization.

Our NTRC currently have 11 new USF project scopes and costings prepared but which cannot be put out to tender until we have more funds available. A 0.25% (\$300,000.00EC) is just not a practical proposal if we are serious about really continuing to develop our ICT sector.

Sincerely yours,



Apollo Knights
Secretary / Director



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Proposed Increases to the Universal Service Fund Contribution

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 services, including education and healthcare at reduced cost and with increased coverage; and
- iii. The development of human and technical capacity to measure, monitor and report progress on the goals (MDGs) and strategic interventions 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 addressed by relying only on market oriented solutions. As such, the Universal Service Fund (USF) was established in 2001 under section 42 of the Telecommunications Act (CAP 418), with a defined mandate to develop projects aimed at closing the connectivity gaps in SVG and facilitate training and content development. However, it is important to note that it was not until September 16th, 2008, that the Telecommunications (USF) Regulations 2008 were gazetted and came into operation. The USF 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 this Fund, one percent (1%) of the gross revenue of the service providers is collected, annually. Since 2008 the NTRC has been able to collect these contributions in a timely. Precisely, a net of EC\$7.7 million has been collected, but at a declining annual rate. With this amount, the

NTRC has successfully implemented and started the implementation of several initiatives amounting to EC\$10.7 million. Specifically, seven projects have been financed under the Universal Service Fund:

Table: 1.0 List of Projects Undertaken by the USF

Project Name	Objective	Implementation Agency	Contract Date	Costs (EC\$)
The Internet Project	To provide free wireless internet at several Learning Resource Centers, Rural Schools and Community Centers.	LIME	2010	427,608.98
The Schools Project	To provide free internet services to all 107 educational institutions via interior and exterior high-speed wireless.	LIME	2011	5,230,623.00
The Payphone Project	To install payphones at various locations including tourism sites, beaches and at points along the main road.	LIME	2011	1,337,322.37
The Maritime Project	To install a Global Maritime Distress and Safety System (GMDSS) which allows access to both emergency and non-emergency communications from maritime areas within St. Vincent and the Grenadines	LIME	2011	1,125,781.00
The Police and Health Center Project	To provide wireless Internet access at all 29 Police stations and 42 Health Centers.	KARIB CABLE	2012	711,015.00
The Community Center Project	To provide free wireless Internet access at 12 Community Centers throughout St Vincent and the Grenadines.	KARIB CABLE	2012	119,503.27

The Smart Project	To 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 programs online and in real time. In addition, to provide 340 households with subsidized internet access at a price of \$10 per month for a maximum of 2 years.	LIME	2012	1,698,994.00
Total				10,650,847.62

As the evidence shows, the NTRC has done a lot with the very little it has received through the USF. 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. Indeed, most of the projects implemented thus far have sought to address connectivity gaps only at the community level, with installation of free wireless internet at numerous public institutions and community centers (see Table 1.0). Gaps at the household and individual level therefore still exist. In addition, the majority of the ICT content used in St Vincent and the Grenadines is imported from the U.S.A and other advanced nations. As such, there is urgent need for increase scope of the fund to target more local content development and ICT training initiative in addition to filling the connectivity gaps.

Looking at the broad macroeconomic picture, it is clear that the NTRC is cognizant that significant 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 rapid changes in the world, propelled by forces of globalization. Accordingly, the NTRC has outlined the following strategic interventions for the short term:

- 1) The development of a project to assist in emergency communication during times of natural or manmade disasters at both the national and community level.
- 2) The development of a project to introduce wireless internet access and voice communications capabilities at two very remote locations frequently visited by locals and visitors.
- 3) A project to increase the amount of rural internet access points. This project will place additional free wireless internet access points in targeted villages/communities throughout the country.
- 4) A project to provide wireless internet access at all public playing fields and hard courts throughout the country. Will allow for the live streaming and sporting and cultural activities.
- 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 various community centers throughout St. Vincent and the Grenadines.
- 7) A project to provide computers and internet access at subsidized rates to needy households across our country.
- 8) A project to outfit all community libraries with computers and internet access.
- 9) A second project to expand the number of payphones (emergency phones) available nationwide at critical locations. The scope of the first project had to be reduced due to funding constrains.
- 10) A project to develop short courses (10 weeks maximum) to be delivered at community and learning resource centers nationally with the objective of increasing the level of local online content. Sample courses are as follows:
 - a. Beginner level in 3 D Animation
 - b. Introduction to Web Design
 - c. Computer-Aided Design (CAD)
 - d. Graphic Design
 - e. Mobile application development
 - f. Server Management
 - g. Film Making

- 11) A project that will provide wireless internet access to twenty Government ministries and departments in and around Kingstown with wireless internet access in there waiting areas for use by the general public.
- 12) A project will provide both the SVG Community College, Division of Technical Education and the Division of Arts and General Studies with heavy duty black and white printers, heavy duty color printers and 3D printers.
- 13) A project that will provide targeted households with an external internet access point which will be mounted on their house to provide wireless internet to the surrounding community. Under this project, the USF will also be paying a fixed price for the electricity cost to power the access point. These communities are those that have been identified as very low income. A few identified to date are as follows:
 - a. Rose Bank (Cattie)
 - b. Lower Questelles
 - c. Lowman's (Buddy Gutter)
 - d. Diamonds
 - e. Ottley Hall
 - f. Sandy Bay
- 14) A project to outfit targeted homes of the elderly with personalized wearable devices that allow for remote emergency assistance in times of need.

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. In addition, there is the financial issue of sustaining existing projects, so that their benefits can continue to permeate the society. As table 2.0 shows, over the next five years (2015 – 2019) it will costs an average recurrent EC\$6.5 million to sustain the existing projects. Already, this figure is above the average annual collection for the past six years of EC\$1,279,995.15, placing the issue of sustainability high on the agenda.

Table 2.0 Projected Recurrent Costs for Existing Projects

Particulars	Year				
	2015	2016	2017	2018	2019
Project cost	\$	\$	\$	\$	\$
Internet Project	51,700.00	51,700.00	51,700.00	51,700.00	51,700.00
Payphone Project	134,928.89	134,928.89	134,928.89	134,928.89	134,928.89
Maritime Project	99,624.00	99,624.00	99,624.00	99,624.00	99,624.00
School Project	664,634.20	664,634.20	664,634.20	664,634.20	664,634.20
Community access points	35,490.00	35,490.00	35,490.00	35,490.00	35,490.00
Police Station and Health Center project	174,212.00	174,212.00	174,212.00	174,212.00	174,212.00
USF Smart Project	197,710.18	153,235.18	138,735.18	91,799.28	138,735.18
Total Project Expenditure	1,358,299.27	1,313,824.27	1,299,324.27	1,252,388.37	1,299,324.27

Source: NTRC

It is against these backdrops that the NTRC proposes to increase the rate of contribution to the USF. This 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 enhance its revenue collection to execute its vision and to financially sustain existing and new projects but more importantly to encourage greater penetration of internet services in the country at both the fixed and mobile level.

In St Vincent and the Grenadines Fixed Internet Penetration stood at 12 percent in 2013, significantly lower than the Fixed Internet Penetration of developed countries. It is the therefore an overarching goal of the NTRC to improve internet penetration possibility to the extent of 100 percent. Moreover, in its 2012 Annual Report, the NTRC made clear that:

“It is critical that as a country, we look to increase our penetration levels of Broadband access to our consumers, if our country is to be able to compete on the global market in any serious fashion, irrespective of the sectors targeted. Broadband is now seen as an essential service that is comparable to that of electricity, telephone and water. In these later three, we are well into the 90% penetration levels at the household level. While we have made good strides in broadband penetration over the last decade, it is still less than 50% at the household level. Imagine our

country still being below 50 % in electricity or water penetration! We have to develop a national strategy to bring our broadband penetration above 90% by 2015¹. ”

In 2014, both LIME and Digicel launched their Fourth generation (4G) data services. This is seen as a stepping stone in achieving the goal of a higher internet penetration rate in our country.

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 key 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 costs implications and increased complexities are therefore likely to be small and perhaps, immaterial.

The economy of St Vincent and the Grenadines has been negatively affected by, *inter alia*, the effects associated with the 2008 global financial and economic crisis and increased occurrence of natural disasters. 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 these challenges. 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 Digicel, Karib Cable and LIME has slightly declined to EC\$55,840,380, EC\$18,170,619 and EC\$60,082,000 respectively. Fairly high profits margins were recorded over the review period. Karib Cable registered operating profit margins in excess of 44 percent. However, this fell to 18.26 percent at the end of 2013 while its net profit margin followed a declining trend for the four years (from 60.6% in 2007 to 14.61% in 2013). Digicel saw fluctuated margins in both its gross and net profits. Its gross profit margin ranged from 73.20 percent in 2008 then to 81.70 percent in 2011 then to 80.61 percent in 2014 while its gross profit margin went from 15.4 percent in 2008 then to 28 percent in 2011 then to 22.57 percent in 2013. As it regards LIME,

¹ NTRC 2012 Annual Report

it also realized fluctuations in both its gross and net profit margins. It recorded gross profits were 71 percent in 2008, 79.4 percent in 2011, 76 percent in 2013 then an increase to 82 percent in 2013. Its recorded net margins were 10.10 percent in 2008, -0.7 percent in 2012 then 10 percent in 2014.

In relation to liquidity capacity, all three service providers have seen positive cash flows generated from operating activities. However, only Digicel's and Karib Cable's cash balances are trending upwards after being depressed in 2008 to 2009 following the crisis. Tables 1.0, 1.1 and 1.2 provide further information.

Table 3.0 Karib Cable Limited Financial Performance and Position

Karib Cable Ltd							
Financial Performance and Position							
For the Year ended 31st August							
	2008	2009	2010	2011	2012	Sept 2012 - Mar 2013	Apr - Dec 2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	12,589	13,753	15,041	16,959	18,290	10,404	13,825
Direct costs	5,128	4,615	8,304	7,169	8,167	9,165	11,300
Operating profit	7,461	9,138	6,736	9,790	10,123	1,239	2,525
Net profit	3,121	1,910	-363	2,134	2,005	46	2,020
Cash and cash equivalents	297	124	396	495	628	431	3,432
Cash generated from operations	8,999	6,504	1,045	4,595	6,535	-16,681	7,308
Operating Profit Margin	59.30%	66.40%	44.80%	57.70%	55.35%	11.91%	18.26%
Net Profit Margin	24.80%	13.90%	-2.40%	12.60%	10.96%	0.44%	14.61%

Source: Audited financial statements

Table 4.0 Digicel Ltd Financial Performance and Position

DIGICEL							
Financial Performance and Position							
For the Year ended 30th March							
	2008	2009	2010	2011	2012	2013	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	57,352	61,040	57,932	56,596	57,452	56,479	55,840
Cost of Sales	15,366	14,138	11,992	10,358	10,358	14,666	10,827
Gross profit	41,986	46,902	45,940	46,238	47,094	41,813	45,013
Net profit	8,840	12,298	14,062	15,845	16,802	13,652	12,605
Cash and Cash equivalents	6,228	2,350	1,615	3,550	9,157	2,953	4,432
Cash generated from operations	3,789	14,209	10,404	19,905	13,352	16,244	20,388
Gross profit Margin	73.20%	76.80%	79.30%	81.70%	80.50%	74.03%	80.61%
Net Profit Margin	15.40%	20.10%	24.30%	28.00%	29.20%	24.17%	22.57%

Source: Audited financial statements

Table 5.0 LIME Financial Performance and Position

LIME							
Financial Performance and Position							
For the Year Ended 30th March							
	2008	2009	2010	2011	2012	2013	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	88,831	81,661	77,890	72,856	67,641	64,105	60,082
Cost of Sales	25,759	20,745	18,599	15,102	13,931	15,263	10,692
Gross Profit	63,072	60,916	59,291	57,754	53,710	48,842	49,390
Operating Costs	46,757	48,400	43,364	47,694	51,174	106,744	41,279
Operating Profit	16,315	12,516	15,927	10,150	2,536	-57,902	8,111
Net Profit	8,999	6,989	10,008	5,260	-447	-47,486	5,798
Cash and Cash Equivalents	5,544	4,551	270	3	110	603	230
Cash generated from operations	14,726	18,308	15,957	9,603	11,962	11,763	12,712
Gross Profit Margin	71.00%	74.60%	76.10%	79.40%	79.40%	76%	82%
Operating Profit Margin	18.40%	15.30%	20.40%	13.90%	3.70%	-90%	13%
Net Profit margin	10.10%	8.60%	12.80%	7.20%	-0.70%	-74%	10%

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 and engendering a culture of local content development in St Vincent and the Grenadines. 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 burden to the consumers with an increase in the price of telecommunication services. This could in turn affect the rate of inflation.

In considering the additional revenue to be contributed to 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. St. Vincent and the Grenadines, second only to Dominica, recorded one of the lowest average rates of inflation among CARICOM countries over the 2009-2013 period (1.5%), which was 2.1 percentage points lower than the regional average (3.6%) (See Table 6.0). Furthermore, the rate of price level increase in St. Vincent and Grenadines has declined steadily from 3.2 percent in 2010 to 0.2 percent in 2014 in line with falling oil prices globally, the largest driver of inflation. Energy experts forecast that global oil prices will remain low through 2015 and 2016. As such, changes in domestic prices are expected to remain below 1 percent over the next two years. 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. 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. In light of this, we are of the firm belief 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 6.0: Rates of Inflation for CARICOM Countries 2009 -2014

CARICOM Country	2009	2010	2011	2012	2013	Average
Antigua and Barbuda	-0.6	3.4	3.5	3.4	1.1	2.1
The Bahamas	1.9	1.3	3.2	2.0	0.4	1.8
Barbados	3.7	5.7	9.4	4.5	1.8	5.1
Belize	-1.1	0.9	1.7	1.2	0.5	0.6
Dominica	0.0	2.8	1.3	1.4	-0.1	1.1
Grenada	-0.3	3.4	3.0	2.4	0.0	1.7
Guyana	3.0	3.7	5.0	2.4	2.2	3.2
Haiti	3.4	4.1	7.4	6.8	6.8	5.7
Jamaica	9.6	12.6	7.5	6.9	9.4	9.2
St. Kitts and Nevis	2.1	0.6	7.1	1.4	0.7	2.4
St. Lucia	-0.2	3.3	2.8	4.2	1.5	2.3
St. Vincent and the Grenadines	0.4	0.8	3.2	2.6	0.8	1.5
Suriname	0.0	6.9	17.7	5.0	1.9	6.3
Trinidad and Tobago	7.6	10.5	5.1	9.3	5.2	7.5
Average	2.1	4.3	5.6	3.8	2.3	3.6

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 to implement projects that would bridge connectivity gaps and engender a culture of local content development through ICT Training initiatives while at the same time sustain existing projects and;
- (ii) 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 (2015), 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 (2015) 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 (2015), 4 %

in the second year and 5 % each year after. For premium packages, the contribution on these revenues is 10% each year from 2015.

- d) Contribution on revenues generated by DATA and Internet Services remain at 1% for the first three years (commencing 2015) and then 2 % each year after.
- e) Other revenues remain at 1% annually.

Table 7.0 Proposed Rate Structure

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

Table 1.5 provides forecasted USF revenues for the period 2015 - 2019 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 2015 – 2019. Approximately, it is predicted that EC\$3.2 million will be collected in 2015, EC\$4.6 million in 2016, EC\$6.0 million in 2017, EC\$7.4 million in 2018 and EC\$8.4 million in 2019. 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.

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\$3.2 million will be collected in 2015, EC\$4.6 million in 2016, EC\$6.0 million in 2017, EC\$7.4 million in 2018 and EC\$8.4 million in 2019. These projections in USF revenue are based on the heroic assumption that the telecommunications maintain the same revenue structure, driven primarily by voice services. If they do move, which is one of our main objectives, 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.

Appendix 1

- 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. For this project, the NTRC will be doing impact assessment and monitoring of the services at each location. This process commenced in 2014 and will be completed by March 2015.

- 2) On June 7, 2011, the Schools Project, was signed. Under this project, internet service is provided to all 107 educational institutions via interior and exterior high-speed wireless to each location. This project was implemented by LIME and the cost of this project totaled EC\$5,230,623.00. This project was commissioned in 2012 and will be for a five year period. During November and December 2014 the NTRC identified several configuration changes to be made to the access points at all 27 secondary schools across the country. Currently, an assessment is being done in the Primary schools to update the internet coverage. Additionally, the NTRC will be doing impact assessment and monitoring of the services under this project in 2015.

- 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. This project has not been commissioned to date. The commissioning process commenced in December 2014, however, the internet service at the Vermont Nature Trail is not functional. LIME ordered a 4G modem to be placed at this site and it is currently in customs for clearance. This device will be tested then placed at the location to supply internet. As such, this project will be commissioned by February 27, 2015 after the internet is rectified. Additionally, the NTRC will be doing impact assessment and monitoring of the services under this project in 2015 after the commissioning process is completed.

- 4) An equipment contract, costing EC\$1,125,781.00, was signed on December 20th 2011 and a contract was entered into for the Maritime Project with LIME on November 20th 2012. Under this project, 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. This project was commissioned in 2012. The provision of maintenance of the system will be for a period of 5 years. Additionally, the NTRC will be doing impact assessment and monitoring of the services under this project in 2015.
- 5) On November 1, 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. This project has not yet been commissioned and this is expected to be done by the end of February 2015. Additionally, the NTRC will be doing impact assessment and monitoring of the services under this project in 2015 after the commissioning process is completed.
- 6) On November 1, 2012, the contract for the Community Center Project was signed with Karib Cable. Under this project, free wireless Internet access is provided at 12 Community Centers throughout St Vincent and the Grenadines as well as the Barrouallie Learning Resource Center. Also under this project, the Salvation Army Children's Home located in Cane Grove was outfitted with six computers and Internet access. Additionally 5 other

group institutions were provided with internet access at a minimum speed of 8 Mbps for a total of EC\$119,503.27. Karib Cable agreed to upgrade the speeds at those locations to 20 Mbps and this was done as at January 8, 2015. This project was commissioned on March 4, 2014 and will be for a two year period. Additionally, the NTRC will be doing impact assessment and monitoring of the services under this project in 2015.

- 7) On November 1, 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 programs 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. The programs under this project commenced on September 16, 2014. Thus far, 266 applicants have been recipients of the subsidized internet service. Additionally, the NTRC will be doing impact assessment and monitoring of the services under this project in 2015.

Table 8.0 Forecasted USF Revenues under Proposed Rate Structure

Forecasted USF Revenues Under New Rate Structure										
	2015		2016		2017		2018		2019	
	Revenue	%Contribution	Revenue	%Contribution	Revenue	%Contribution	Revenue	%Contribution	Revenue	%Contribution
Cable & Wireless	1,342,407	41.5%	1,846,911	39.9%	2,351,416	39.0%	2,774,090	37.7%	3,041,533	36.1%
Digicel	1,348,922	41.7%	2,129,727	46.0%	2,910,532	48.3%	3,786,703	51.4%	4,567,507	54.3%
Karib Cable	540,929	16.7%	651,763	14.1%	762,597	12.7%	806,310	10.9%	806,310	9.6%
Total revenue	3,232,258		4,628,401		6,024,544		7,367,103		8,415,350	

Cable & Wireless

Cable & Wireless currently contributes \$600,000.00 to the fund. The majority of its revenue comes from its FPT licence. Fixed revenue is 64% of its total revenue. The actual and proposed USF Contributions follow after applying the various rate increases to the relevant services:

TABLE 9.0 CONTRIBUTION					
1%	2015	2016	2017	2018	2019
600,000	1,342,407	1,846,911	2,351,416	2,774,090	3,041,533

Table 9.0 shows the additional amounts that will be paid by Cable & Wireless if the contribution is increased to the various rates:

TABLE 10.0 Additional Contribution				
2015	2016	2017	2018	2019
741,566	1,246,071	1,750,575	2,173,250	2,440,692

Digicel

Digicel currently contributes EC\$568,000.00 to the fund. Revenue from local mobile calls is 52% of its total revenue. The actual and proposed USF Contributions follow after applying the various rate increases to the relevant services:

TABLE 11.0 CONTRIBUTION					
Current	2015	2016	2017	2018	2019
568,000	1,348,922	2,129,727	2,910,532	3,786,703	4,567,507

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

TABLE 12.0 ADDITIONAL CONTRIBUTION				
2015	2016	2017	2018	2019
780,805	1,561,609	2,342,414	3,218,585	3,999,390

Karib Cable

Karib Cable currently contributes \$170,000. Revenue from their Cable TV service accounts for 70% 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.

TABLE 13.0 CONTRIBUTION					
Current	2015	2016	2017	2018	2019
170,000	540,929	651,763	762,597	806,310	806,310

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

TABLE 14.0 ADDITIONAL CONTRIBUTION				
2015	2016	2017	2018	2019
370,785	481,619	592,453	636,167	636,167