

UNIVERSAL SERVICE FUND



OPERATING PLAN 2010

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1.0 INTRODUCTION

The National Telecommunication Regulatory Commission (NTRC) of St Vincent and the Grenadines was established by the Telecommunications Act of 2001 to efficiently regulate the telecommunications sector in collaboration with the Eastern Caribbean Telecommunications Authority (ECTEL). The NTRC was established to provide technical regulation and the setting of technical standards and to ensure compatibility with standards of the International Telecommunications Union (ITU). The NTRC also regulates and manages the use of radio frequency spectrum, collect all fees, monitor and ensure licenses comply with the Telecommunications Act 2001, investigate and resolve any disputes between providers and consumers, regulate prices for telecommunications services and monitor all anti competitive practices in the telecommunications sector.

1.1 What is the Universal Service Fund?

The Universal Service Fund (USF) was established under section 42 of the Telecommunications Act 2001. The fund was set up to compensate any telecommunication provider who is required to provide Universal Service or to promote Universal Service. Universal Service includes: internet access, telecommunications to schools, hospitals and similar institutions and the physically challenged, public voice telephony, etc. This USF will encourage efficient access to, and the use of Telecommunications networks and services throughout St Vincent and the Grenadines, with special focus on rural and underserved areas. As an outcome of this, social, educational and economic development will be the end result.

The Fund will also ensure the reasonable availability and affordability of basic and advanced Telecommunications services, where commercial telecommunications markets may be unable to deliver such services in a financially viable manner independently. The USF is funded by payments made by telecom providers as set forth in the Telecommunications (Universal Service Fund) Contribution Order 2008; also, any funds that may be directly appropriated by Parliament for the fund and any official grants, donations, bequest or other contributions if the NTRC considers it consistent with the best interest of the Fund. This Order points out the payment specifications and payment deadlines as it applies to USF contribution payments. These payments range from 0.25% of gross revenue for the first year of a license, 0.5% of gross revenue for the second year of a license and 1% of gross revenue with respect to the third year of its license and throughout the period of the license.

1.2 Regulatory Instruments of the USF

There are several regulatory instruments that govern the Universal Service Fund. There are the:

- **Telecommunications (Universal Service Fund) Contribution Order 2008**

This was gazetted on the 22nd April 2008 and is retroactive to 1st January 2008.

This Order sets out the method for the calculation of payments and the deadlines for USF payments.

- **Telecommunications (Universal Service Fund) Regulations 2008**

This was gazetted on the 16th September 2008 and the aim of these regulations is to provide for the efficient and effective management of the Fund.

- **Telecommunications (Universal Service Fund) Guidelines 2009**

This document outlines specific policy framework for the implementation of the USF and it sets out standards and procedures for proper management of the USF in St. Vincent and the Grenadines. The basis for the development and use of the Guidelines are derived from the Telecommunications (Universal Service Fund) Regulations.

- **Telecommunications Act 2001**

Section 42 of this Act calls for the establishment of the USF.

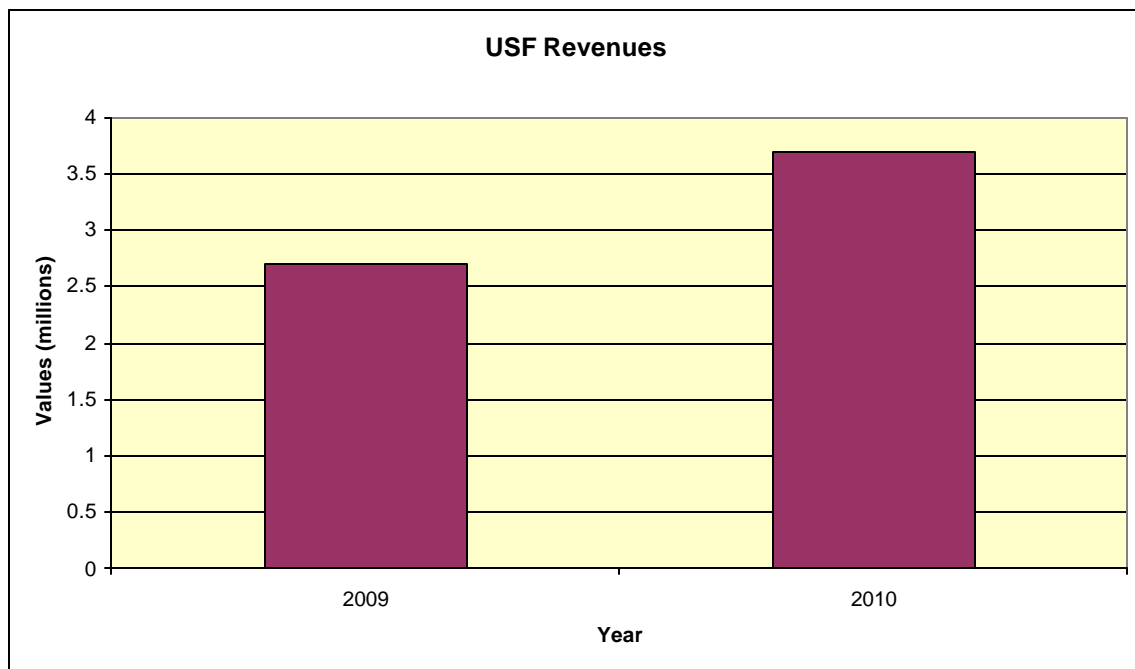
1.3 USF Operating Plan

The USF Operating Plan is an annual policy document which outlines the policy objectives of the USF within St Vincent and the Grenadines on an annual basis. This document summarizes the state of development of telecommunications in the country and it set forth the board objectives, targets and types of projects that the Fund may seek to promote during the year. This document also includes a brief background discussion on the purpose and mandate of the USF.

1.4 USF Budget

For the operating year of 2010, there is a budgeted amount of Three Million Seven Hundred Thousand Dollars (\$3, 700,000.00) as seen in FIG A. This figure represents contributions brought forward from the operating year of 2009 and contributions budgeted to be collected for 2010.

FIG A



This figure also consists of an allocation of \$540,000.00 from the World Bank to provide Universal Service throughout St Vincent and the Grenadines. The Fund operating budget shall be used for the operating expenses of the Fund and shall not exceed 10% of the annual budget of the Fund as highlighted in the USF Regulations.

1.5 Telecommunications in St Vincent and the Grenadines

Telecommunication is defined as the assisted transmission of signals over a distance for the purpose of communication and is a very vital aspect of the world's economy and the functioning of most societies on a daily basis. Within St Vincent and the Grenadines in 2009, there have been several initiatives within the sector which were undertaken to develop the sector and the country on a whole. Some of the major initiatives and events are as follows:

Caribbean ICT Road Show

St Vincent and the Grenadines hosted a Caribbean ICT Roadshow held by the Caribbean Telecommunications Union (CTU). The main objectives of the road show were to:

1. To foster innovation in the application of ICT to the Caribbean challenges in Government, the Private Sector and Civil Society.
2. To build regional awareness among the Public Sector, the Private Sector and Civil Society of the innovative and effective use of ICTs in every aspect of Caribbean life.
3. To accelerate the effective use of ICTs by regional Governments in the delivery of public services and transparent governance.
4. To encourage greater regional collaboration in the development of regional ICT solutions.
5. Promote the work, role and programs of the CTU as a resource to the region.
6. To forge closer relationships between Caribbean ICT stakeholders and the regional internet communities and to encourage participation in international ICT.

The Universal Service Fund

The USF was officially launched in May of 2009. The USF will be used to encourage efficient access to and use of Telecommunications networks and services through out the country with special focus on rural, under-served and maritime areas.

Business Skills Development and E- Business Incubators

The objective of the project is to establish a supportive framework for the development of high-quality services to businesses within SVG; and for the application of ICTs in small and medium sized entities and other enterprises to improve performance and competitiveness, contributing to economic diversification, increase in exports and employment, particularly for those currently or formerly dependent on banana production and other marginalized groups.

New Fixed Line Service Provider

Karib Cable and existing provider of Internet and Cable TV Services launched their fixed line service to Vincentians during the first half of the 2009. This fixed line service has already reached rural villages north of the Dry River to Fancy. This service is both used as an alternative and as a complement to the fixed line service which is already being provided by Cable and Wireless.

Education Sector Development Plan (ESDP)

The Government of St. Vincent and the Grenadines has recognized the critical importance of Education to poverty alleviation, economic competitiveness and social development. In order to streamline its intervention in this sector the Government through a consultative and participatory process, developed an Education Sector Development Plan (ESDP, 2002-2007) and an accompanying Action Plan and is now in the process of finalizing the plan for 2008 – 2013.

The overall objective of this program is to develop human resources in SVG, through the sustainable provision of learning opportunities for all persons in the State so as to equip them with the required values, skills, attitude and knowledge necessary for creating and maintaining a productive, innovative and harmonious society. The purpose of the project is to improve the quality of education at all levels nationwide by creating opportunities to use ICT in innovative ways such as integration into the science of the teaching/learning process. The project has three focused result areas:

1. Improved educational management, administration and governance through the incorporation of effective ICT strategies.
2. Improved quality of basic education and Technical and Vocational Education and Training (TVET) through the integration of ICT.
3. Improved infrastructure at the St Vincent and the Grenadines Community College (SVGCC) to include ICT-enhanced facilities.

New PBX System

The Government of St Vincent and the Grenadines will be soon installing a VOIP (Voice over Internet Protocol) PBX system for the central Government. Funds have been allocated and the hardware is to be ordered to implement the system. This system has many advantages including the lowered cost of operation and also the system could easily scale to handle additional phone connections and extensions without disturbing the efficiency of the network. This is in deep contrast to the conventional phone systems, which might require additional hardware modules to accommodate the newer connections and extensions.

Special Framework of Assistance (SFA 2005)

Under the SFA 2005, there were many activities which include but are not limited to:

- Development of a National ICT Policy Action Plan
- Creation of websites for small Businesses
- Provide training for professionals in ICT
- Finalized drafted regulations for the ICT Sector
- Complete the development of a web-based system for Commercial and Intellectual property office.
- The construction of the Center of Excellence at Diamond Estate. This center will serve as a location for all levels of ICT training and will also serve as the location for ICT and business incubators. The center is expected to be equipped with state of the art equipment to facilitate proper functioning and delivery of services.

2.0 Summary Market Assessment

The Telecommunications Sector in St Vincent and the Grenadines during the period 2009 saw total investments of \$25.7 million dollars. This represents a slight decrease in the amounts invested in the previous year of just over \$26 million. This level of investment, though less than the previous year, is still significant when taking into account the global economic crisis which continues to impact our region.

Figure B below shows the total revenue received by the telecommunication operators over the last twelve years. It is clear from the graph that there was a marginal increase in the revenue collected in the sector by the telecommunications operators in the country.

2.1 Revenue of Telecom Operators.

Figure B

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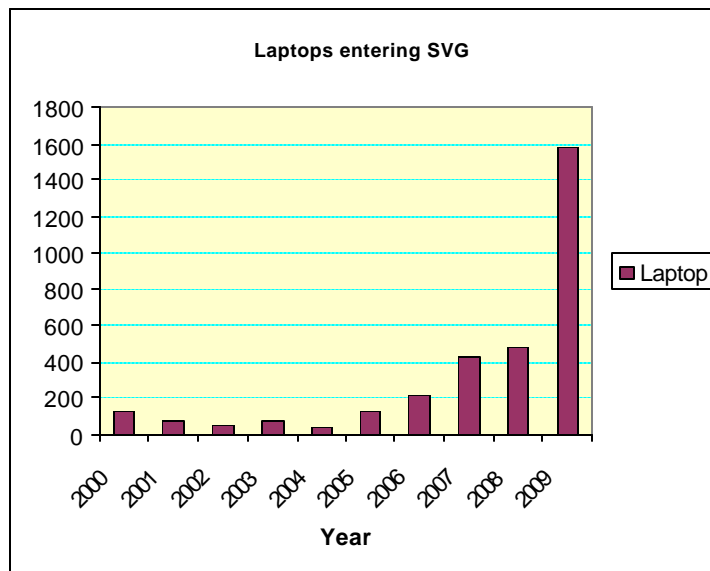
The levels of fixed line subscribers over the last three years have remained generally constant. The figure for fixed line internet users moved from nine thousand, seven hundred and fifty seven (9757) in 2008 to eleven thousand three hundred and fifty seven in (11,357) in 2009, this represents just over a twelve percent (12%) increase. This is a positive trend in the sector and strides should be made to ensure that these figures continue to increase in the upcoming years.

There is a mobile penetration rate of one hundred and fifteen percent 115%. This figure does not however cater for multiple mobile phones per user. This is an obvious observation due to the fact the there are more phones than the population of the country.

2.2 Laptops entering St Vincent

Figure C below indicates the number of laptops entering St Vincent and the Grenadines. The diagram indicates that there has been an increase in the amount of laptops being imported into the country between 2008 and 2009. The 2009 figure indicates close to 1600 laptops entering the island which is close to four times the amount of the previous year.

Figure C

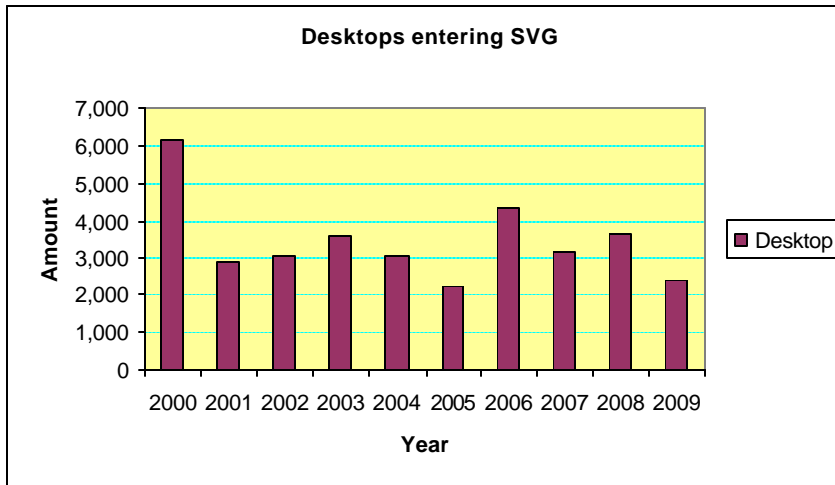


2.3 Desktops Entering St Vincent and the Grenadines

Figure D below shows the amount of desktop computers entering the island. As can be seen, the figures through the years have been fluctuating. Though this is a fact, the inference can still be made that the quantity of desktops in the country is increasing and

more individuals seem to have access to these equipment be it for work, school or personal use.

Figure D



These two graphs however indicate that many Vincentians are being exposed to computers especially those which are portable. The inference can be made that more individuals are having greater access to the Internet and are incorporating ICT initiatives in their daily lives. Despite these positive trends, the rate of growth needs to be increase and the USF has to find practical initiatives to facilitate this objective.

3.0 PRIORITY GOALS 2009

The Operating Plan for 2009 outlined several Telecommunications deficiencies through out the country. These deficiencies were translated into priority goals that were to be addressed by the Fund. These priority goals were as follows:

- Introduce Internet services at the community level in each of the major communities north of the Dry River and north of Coulls Hill.
- Outfit Public institutions (Health facilities and police Stations) through out St Vincent and the Grenadines with computers and internet access.
- Outfit public institutions with an emphasis on Police stations with extra phone lines.
- Increase the mobile coverage in the Fancy, Sandy Bay, Overland and Owia villages.
- Increase the availability of Payphones along the main roads of all major communities through out the island.
- Improve the Maritime coverage of VHF and Mobile signals in St. Vincent and the Grenadines

Since the 2009 USF Operating Plan was formulated, there were several developments in the Telecommunications sector in the country which directly addressed some of the priority goals developed. One such example is the fact that telecommunications providers have expanded their networks to increase their mobile network coverage in the rural areas of Fancy, Sandy Bay, Overland and Owia. This fact ensures that the Funds resources can

be used to implement other projects and that this priority goal has been achieved without assistance from the USF.

Karib Cable also launched its fixed line network service which developed and complemented existing fixed line services available in the country as mentioned previously. Credit must be given to the providers for taking the initiative for expanding their network coverage around the island and improving the level of service being provided especially in the rural areas.

Coming out of these priority goals however, there were three projects which were developed for the operating year 2009. These projects are highlighted below.

3.1 USF PROJECTS

The NTRC of St Vincent and the Grenadines, after conducting a Telecommunications needs assessment in 2009, identified the first three projects to be funded by the Universal Service Fund (USF). With the assistance of ECTEL, tender documents were prepared for these projects and sent out to Public tenders.

3.2 Project 1

The Supply and installation of an emergency phone booth and payphone network in St Vincent and the Grenadines.

The project purpose was to increase the accessibility to voice communication and provide a medium for emergency communication on the island and also provide limited Wi-Fi connectivity at specified locations.

Five (5) emergency phone booths and fifty six (56) payphones will be placed throughout St. Vincent and the Grenadines. Fourteen payphones will be placed at the fourteen (14) tourism sites established by the Ministry of Tourism and National Parks and eight (8) payphones will be placed at eight (8) beaches.

Vandal proof video cameras will be used at some payphone locations to minimize the vandalism of the payphones which has been one of the main reasons for low operation levels of existing payphones.

Fifteen locations, eleven (11) of which are tourism sites and four (4) beaches will be outfitted to provide wireless internet service. A broadband internet connection with a minimum speed of 3 Mbps will be provided to facilitate Wi-Fi at each location.

3.3 Project 2

The supply and installation of computers, computer software and equipment to facilitate internet connection and wireless connectivity.

The objective of the project was to introduce/ improve Broadband Internet access at various locations in St Vincent and the Grenadines. These areas include the twelve (12) Learning Resource Centers, the Salvation Army offices in Kingstown and the Community Resource and Internet Centers located at Orange Hill and Coulls Hill.

Broadband Internet services are to be introduced and upgraded at all of the Learning Resource Centers in St Vincent and the Grenadines. Each of the Learning Resource Centers is to be outfitted with Broadband internet connection with a minimum speed of 3 Mbps and the local network which will be established will be at a minimum speed of 100 Mbps.

Each of the Learning Resource Centers will be outfitted with wireless internet access which will be provided for the interior of the building at the same minimum speed of 3 Mbps. This wireless network for the interior of the building should be accessible from any point inside of the Center.

At each of the Learning Resource Center, there will be wireless outdoor antenna, for the provision of wireless internet service to the exterior of the centers and surrounding area. This outdoor service will complement the indoor service and facilitate access to those persons having their own wireless device and will also allow access during those periods that the centers are normally closed such as at nights and public holidays.

The Salvation Army Building in Kingstown will be outfitted with five (5) Computers and Broadband Internet connection with a minimum speed of 3 Mbps.

Additionally, there are two Community Resource Internet Centers established by the Ministry of National Mobilization. One is located at Orange Hill adjacent to the playing field and the other is located at Coulls Hill adjacent to the West Wood School. These two locations are to be outfitted with improved speed of their existing Internet connection with a minimum speed of 3 Mbps and a local network speed of 100Mbps.

3.4 Project 3

The Improvement of the Maritime VHF coverage around St Vincent and the Grenadines.

This system would provide access to both emergency and non emergency communications from maritime areas within the Economic Exclusive Zone (EEZ) of St. Vincent and the Grenadines with special emphasis on those areas not presently covered by maritime coverage on VHF channel 16 from the Coast Station located at Fort Charlotte.

Specifically, this include areas on the Leeward coast of mainland St. Vincent which also happens to be a very busy area for yachting/pleasure craft traffic of a local, regional and international nature. Apart from addressing the need for normal maritime emergencies, it will address the need for emergencies of a criminal nature which is a national security issue, noting the importance of the yachting sector to our tourism development and our economy on a whole.

The system will also improve maritime coverage on a whole which will benefit both local small craft fisher folk and pleasure crafts operating in our EEZ. The GMDSS A1 requirements of the system will bring our country in line with our international commitments under the International Maritime Organization (IMO) which allows for among other things automated distress calling.

4.0 USF Priority Goals 2010

The priority goals identified for 2010 also consists of priority goals which were identified for 2009 but which were not addressed in that year. These priority goals however will not

limit the project ideas and projects which will be undertaken by the USF for the year 2010. The priority goals of the USF for 2010 are as follows;

- Outfit Public institutions (Health facilities and Police Stations) through out St Vincent and the Grenadines with computers and Internet access.
- Outfit public institutions with an emphasis on Police stations with additional phone lines.
- Outfit schools through out St Vincent and the Grenadines with high speed Internet connections.
- Provide ICT related training programs for individuals in St Vincent and the Grenadines.
- Improve inland Emergency Communication capabilities throughout St Vincent and the Grenadines.
- Increase the number of rural Internet community access points within St Vincent and the Grenadines
- Provide computer hardware and Internet access to needy households at a subsidized cost.

5.0 USF BUDGET ESTIMATES

The USF is funded by contributions made by telecommunications providers as specified under the Act and by Order of the Minister, any funds that may be directly appropriated by Parliament for the purposes of the Fund, and official grants, donations, bequests or other contributions, or transfers granted by an individual or other legal entity.

For the operating year of 2010, there is a budgeted amount of Three Million Seven Hundred Thousand dollars (\$3, 700, 000.00). This amount consists of funds brought forward from 2009 and funds to be collected in 2010.

The approved administrative budget for 2010 is a One Hundred and Thirty Six Thousand, Seven Hundred and Thirty Two Dollars and Thirty Eight Cents (\$136,732.38) which is in the limit of ten percent of the Fund revenues. The remainder, which is Three Million Five Hundred and Sixty Three Thousand, Two Hundred and Sixty Seven Dollars and Sixty Two Cents (\$3,563,267.62) is to be used for USF Fund projects. For the operating year 2010, an estimated \$2.0 Million Dollars of these funds are budgeted for the three projects that were put out to tender in 2009.