

# UNIVERSAL SERVICE FUND

Annual Report

# 2010



Universal Service – Propelling ICTs  
and Bridging the Digital Divide

## Table of Contents

<b>1.0</b>	<b>Introduction.....</b>	<b>3</b>
1.1	Establishment of Universal Service .....	3
1.2	Implications of Universal Service .....	4
1.3	Year in Review.....	5
<b>2.0</b>	<b>Activities of the Universal Service Fund.....</b>	<b>7</b>
2.1	Universal Service Budget.....	7
2.2	Gap Analysis .....	7
2.2.1	Providers .....	8
2.2.2	Statistics .....	8
2.2.3	Other .....	9
2.3	Fund Contributions.....	9
2.4	Public Awareness .....	10
2.5	Reports .....	10
2.6	Universal Service Fund Launch .....	11
2.7	Project proposals .....	11
2.8	Publications .....	12
2.9	Fund Account .....	12
2.10	Workshop / Training.....	13
<b>3.0</b>	<b>Universal Service Fund Revenue Report.....</b>	<b>14</b>
<b>4.0</b>	<b>Status of Telecommunications in Grenada.....</b>	<b>15</b>
<b>5.0</b>	<b>Universal Service Fund Projects .....</b>	<b>16</b>
6.0	Financial Report.....	17
6.1	Financial Statements .....	17

6.1.1	Balance Sheet.....	17
6.1.2	Income Statement.....	18
6.1.3	Statement of Cash Flow .....	19
6.2	Notes to the Financial Statement.....	20

## 1.0 Introduction

A critical element towards the development /expansion of the Information, Communication and Technology sector in any region is the advancement of Universal Service. According to the Telecommunications Universal Service Fund Regulations, Universal Service is referred to as the provision of telecommunications service to residents of a country such that everyone regardless of their geographic location or income can have access to basic telecommunications service at affordable prices.

The definition of Universal Service is consistent with narrowing and closing the digital divide between the information rich and information poor. The solution focuses on the utilization of available resources to maximize community access to information and communication technologies. A very important issue of universal service policy is to enable service for people considered to be economically disadvantaged and for public institutions such as education and health institutions, particularly those in rural areas, who cannot afford, or who simply have no access within close proximity to any telecommunications service. In this regard, the implementation of Universal Service projects will have significant implications on the economic, social and educational development of Grenada.

### 1.1 *Establishment of Universal Service*

Prior to 2000, the Gap which exist in the telecommunications sector across Grenada warranted the need for regulations aimed at extending services to areas where access to such services are limited or non-existence. In 2009, the Universal Service Fund Regulations and the Universal Service Fund Contribution Order were promulgated thus commencing the Universal Service Fund. These Regulations would bridge the gap

promoting policies aimed at providing ubiquitous services to communities on a non-discriminatory basis.

The Universal Service Fund was established pursuant to section 43 of the Telecommunications Act 31 of 2000, which states: “there shall be established a Fund to be known as the Universal Service Fund which shall be managed by the NTRC in accordance with the Telecommunications (Universal Service Fund Contribution) Order.”

The Universal Service Fund consist of contributions from the telecommunications providers, any funds appropriated by parliament for the purpose of the fund and any grants, donations, bequests or other contributions or transfers made by any individual or legal entity.

## **1.2 *Implications of Universal Service***

The main goal of the Universal Service Fund is to support the provision/expansion of the telecommunications service throughout Grenada, with special emphasis on the rural, underserved, unserved and maritime areas through the implementation of a minimum subsidy agreement. It is expected that the expansion and the availability of services to the people of Grenada will result in the educational, economic and social development of our country.

Recently, attention has been drawn to the need to increase availability of internet services; In spite of the growth over the recent years, internet service is still significantly low recording a penetration of approximately 13%. This is crucial if Grenada as a nation is to advance, with many of our services moving online such as e-banking, e-government, e-learning just to name a few. To increase the level of productivity, particularly with the recent public sector reform initiative by government, the need to become an information society has hastened; thus the urgent need for universal availability of these services.

Universal Service is important not only for the ICT sector, but also for the Government of Grenada to implement its ICT strategy action plans since the USF will help lay the necessary infrastructure which aids the government in its goal. In other words, USF can be one of the drivers which facilitate the expansion of ICT services in Grenada.

### **1.3 Year in Review**

The year 2010 was indeed a commendable one for the Universal Service Fund; with the appointment of a Fund Administrator, the work by the NTRC to help make telecommunications services more accessible and thus universal commence.

Significant strides were taken and various stakeholders consulted in an effort to lay the foundation necessary to implement fund projects. Of utmost importance was an assessment of the telecommunications sector to ascertain the state of development in an effort to determine the extent of service availability. The results revealed that there was extensive coverage throughout the island; however, much more work was needed. Startling results showed that the hindrance to accessing the internet was not due primarily to availability as was previously thought, but was due to the lack of resources to acquire the service. This indicator was useful in identifying projects to best address the issue.

On September 29, 2010, the USF was officially launched signalling the official start of a Universal Service regime in the telecommunications sector. This launch paved the way forward for developing the use of Information and Communication Technology applications in everyday lives of the Grenadian People, as highlighted in the theme: ***“Universal Service – Propelling ICTs and Bridging the Digital Divide.”*** The Universal Service Funds will be utilized to lay the infrastructure thereby propelling the use of ICT applications and bridging the gap between the information rich (those who have access to the internet and by extension information) and Information poor (those who do not have access to information), hence the term bridging the digital divide.

There were challenges faced by the Universal Service Fund among these were readily available data on the sector which was required for decision making, the limited availability of established best practices to compare and follow in an attempt to effectively implement the USF in Grenada. Notwithstanding the above mentioned, the NTRC continued to make strides towards the implementation of USF projects, the steps taken thus far were both fruitful and successful. Among these was a detailed analysis and assessment of telecommunications market. This was imperative in identifying the gaps which exists within the telecommunications sector and by extension service availability. Universal Service would target the un-served and underserved areas for deployment of telecommunications service through the implementation of a minimum subsidy agreement. Approximately EC \$1.8 M has been allocated to fund USF projects which would be executed by licenced telecommunications providers in accordance with regulations and policy guidelines.

## 2.0 Activities of the Universal Service Fund

### 2.1 *Universal Service Budget*

At the start of 2010, a Universal Service Fund budget was created and subsequently approved for the operating / administrative expenses of the Fund; These expenses detailed the operating cost of administering the Universal Service Fund for the year 2010. In this regard, a budget of \$200,000.00 was approved; This budget reflected 10 % of the Universal Service Fund Revenue for the operating year 2010 as stipulated in the Universal Service guidelines. These expenses include:

- Salaries, emoluments, remunerative packages and allowances for Fund Administrator and other staff employed to work on fund matters
- Office expenses specifically and directly related to the requirements of the Fund Administrator
- Administrative and operational costs specifically and directly related to requirements of the Fund Administrator
- Costs of carrying out technical, socio-economic or demand studies pertinent to the development of the operating plan;
- Consultancy of advisory contracts directly related to Fund activities;
- Financial audit costs of the Fund

### 2.2 *Gap Analysis*

The Universal Service Fund is geared at expanding telecommunications service to the unserved and underserved areas throughout Grenada. In this regard, a gap analysis was conducted detailing the extent of service availability throughout Grenada. Data request was submitted and subsequently collected from the telecommunications providers, key stakeholders and the Central Statistics Office of Grenada; in addition, a nationwide



survey was planned and conducted in collaboration with the Central Statistics Office. This survey assisted the NTRC in identifying the areas in Grenada which lack access to telecommunications service (particularly broadband services) otherwise termed the unserved /underserved areas.

### **2.2.1 Providers**

Data request was submitted and subsequently collected from the telecommunications providers. This information highlighted the areas in need of telecommunications deployment as well as the level of penetration within the telecommunications market e.g. internet, phone (fixed & mobile). Although the data indicate extensive coverage throughout the island, there were still areas which lack access to these basic services. The following is a list of data requested:

- Telecommunications subscription – internet, fixed and mobile phone
- Telecommunications rates for domestic, regional and international market
- Detailed account of the distribution of telecommunications providers network and the number of subscribers according to the distribution of communities

### **2.2.2 Statistics**

In addition to the identification of the underserved areas in Grenada, it was equally important to determine the population clusters. Hence, data on the population distribution was collected from the Central Statistics Office of Grenada; estimates on the population income and the Gross Domestic Product, specifically the telecommunications sector contribution to the GDP, formed part of the market assessment and gap analysis.

### **2.2.3 Other**

According to the Universal Service Fund Regulations, the USF will be utilized to expand services to institutions such as schools, hospitals and similar institutions serving the public needs, as well as the maritime areas. In accordance with the regulations, data was collected from the maritime agencies to determine the extent of development of telecommunications service. Likewise, data request was submitted and subsequently collected from the schools, hospitals, police stations, health clinics and libraries throughout Grenada. This data was useful in determining the availability of telecommunications services within the institutions and identifying possible areas earmarked for Universal Service Fund subsidy.

## **2.3 Fund Contributions**

The NTRC commenced invoicing of telecom providers in August 2009, to date approximately EC \$1.9 M has been collected. These funds represent contributions primarily from the telecommunications providers. In addition, funds may be received from government appropriations as well as grants or donations from individuals or legal entities. In spite of the decline in providers' revenue in 2009, EC \$1.5 M was collected from telecommunications providers LIME, FLOW and DIGICEL. This amount together with balance brought forward from 2009 and interest earned is recorded at EC \$2 M.

Telecommunications providers were in full compliance with USF regulations. Fund contributions were collected on time and in accordance with Universal Service Fund Contribution Order of 2009.

## **2.4 Public Awareness**

Public relations formed an important component of the Universal Service Fund activities for 2010. Several public notices were sent out to all media houses informing the public of the Universal Service Fund. In addition, several television and radio presentations were conducted. These presentations were geared at sensitizing the public about the USF, particularly the role of the USF in the telecommunications sector and the externality benefits of Fund projects.

As part of the public outreach programme, a presentation was prepared and presented as part of the radio broadcasters meeting held by the NTRC. This group was important as this medium was utilized to engage the general public on Universal Service Fund.

The NTRC's website, which hosts important information on facets of the organization, was also an important information tool. This website was updated regularly to keep the public aware of the updates of the USF.

## **2.5 Reports**

Reports were submitted periodically to keep the Commission informed of the progress of the Universal Service Fund. These reports were submitted both to the administrative head and the Commissioners of the NTRC as stipulated in rules and regulations. Documents requiring approval from the Commission also formed part of these reports.

To ensure transparency in the operation of the Universal Service Fund and to ensure consistency between the operation of the Fund and National telecommunication policy, Universal Service Fund updates were also submitted to the Minister of telecommunications and the Prime Minister Hon. Tillman Thomas. These updates detailed the activities of the fund and the upcoming events. Likewise, updates were

submitted to the telecommunications providers informing them of the activities of the Universal Service Fund as well as the upcoming activities.

## **2.6 Universal Service Fund Launch**

To commemorate the 10<sup>th</sup> anniversary of the NTRC, a series of activities were held in recognition of the event; as part of this ceremony, the USF was officially launched on September 29<sup>th</sup> under the theme: “*Universal Service – Propelling ICTs and Bridging the Digital Divide.*” This ceremony formed part a series of activities to commemorate the 10<sup>th</sup> anniversary of the NTRC. The launch outlined the establishment of the USF and unveiled the benefits and plans of the USF to Grenadians as well as its possible contribution to sector development and by extension the development and advancement of Grenada.

Honourable Joseph Gilbert, Minister of Telecommunications, delivered the feature address and Mr. Embert Charles, Managing director of ECTEL, delivered the congratulatory remark. This event was held in the presence of specially invited guests, key stakeholders and members of the media. This ceremony marked the official commencement of the Universal Service Fund in Grenada.

## **2.7 Project proposals**

In November of the review period, the solicitation of project proposals for consideration for funding under the Universal Service Fund officially commenced. The Request for Project Proposals invited interested candidates to submit project proposals which were considered for funding from the USF. Media releases and radio and television interviews were also conducted to publicize this event. The deadline for submission of projects was

January 12<sup>th</sup> 2010; these proposals would be reviewed by an evaluation committee. The Commission would then make decisions on the projects to be funded by the USF based upon recommendation by the USF Administrator.

## **2.8 Publications**

The Universal Service Fund Operating Plan 2010 was approved and subsequently published. This document summarized the current state of development of telecoms sector in Grenada and highlighted the objectives and projects the fund seek to promote for the operating year. Additionally, the document provided an overview of the Universal Service Fund revenue, including funds available for USF project expenses and USF administrative expenses.

A Universal Service Fund request for proposal application form and the criteria for evaluation was developed and subsequently distributed. This form was produced in accordance with procedures / guidelines outlined in the Universal Service Fund guidelines.

## **2.9 Fund Account**

The NTRC manages and administers the USF and makes all relevant decisions in this regard. The NTRC operates a USF account which is restricted to payments of approved administrative and Fund projects expenditure. The Commission maintains the USF independent and separate of the operating account of the NTRC. This account shall not exceed 10 percent of the operating cost of administering the fund.

The USF incurs a 10 percent charge on expenses directly related to the operation of the USF and which is shared by the NTRC; these include utilities, office rental, office supplies. All expenses including those shared with the NTRC is paid by the NTRC

operational account pending reimbursement from the USF account. Funds are disbursed to the NTRC's operational account every period.

### ***2.10 Workshop / Training***

In recognition of NTRC's commitment to staff development, a workshop was attended by the Universal Service Fund Administrator. This workshop was geared at assisting the NTRCs with the implementation of their USF. The workshop also targeted any concerns or challenges faced by the NTRCs.

The workshop was facilitated by ECTEL and held in the Commonwealth of Dominica; Several presentations were made at the workshop, including a presentation by Edgardo Sepulveda, Universal Service Fund Consultant, and Mr. Peter Norville, TICT Project Manager. The Fund Administrators were also given an opportunity to update the participants on the status of their respective Universal Service Fund Programme. Some areas addressed were:

- Procurement process
- Gap Analysis
- USF Models
- Operation of USF

### 3.0 Universal Service Fund Revenue Report

In spite of the overall decline in providers' revenue from the previous period, fund contributions collected for the period were notable. The Universal Service Fund has accumulated approximately EC \$2 M for the period in review. This amount represents contributions for the telecommunications providers Lime, Flow and Digicel as well as interest earned on Fund contributions. This amount includes the Universal Service Fund Project Funds and the Universal Service Fund Administration / Operating Funds; The Universal Service Fund Administrative / Operational Fund cover the cost of administering of the Universal Service Fund. Although no Funds has been disbursed for Projects for the period in review, 2011 is projected to be an active year, as the NTRC would officially commence the process of awarding contracts to execute Universal Service Fund Projects.

In 2010, a Universal Service Fund budget of \$200,000.00 was approved to fund the Universal Service Fund Administrative / Operating expenses (the cost of administering the fund). The amount represents 10 % of the Universal Service Fund revenue as stipulated in the USF regulations and guidelines. The balance of the Fund recorded at EC \$ 1.8 would be used to fund USF projects approved by the Commission.

In spite of the decline in providers' revenue in 2010, data from the Central Statistics Office indicates that the economy will recover with a projected growth of 2.1 percent. In this regard, the NTRC projects that the Universal Service Fund Contributions would increase slightly as compared to Funds received the previous period. The projected USF contribution for 2011 is approximately EC \$1.6 M. This amount, including unused funds from 2010, would result in USF revenue of approximately EC \$3.4 M.

## 4.0 Status of Telecommunications in Grenada

The onset of liberalization and the subsequent entrant of new providers have transitioned the telecommunications sectors into a highly competitive and developing sector. The competitive telecommunications market and the subsequent decline in the cost of telecommunications service has seen a significant increase in the level of penetration, as more persons see the need to take advantage of the emerging technology. Mobile telephone has recorded a marked improvement over the years and in 2009, for the first time since the liberalization, mobile penetration has exceeded 100 percent, it is worthy to note that while this increase is notable, there are still persons in Grenada without access to voice telephony. Data from the NTRC survey indicate approximately 98 percent of the population has access to voice telephony, thus voice is by no means universal. Therefore, there is still a need to further grow the market thereby making the service universally available.

Internet service has seen tremendous growth within recent years but has lagged behind significantly. Approximately 36 percent of the households have access to internet service; while this increase is notable, more steps need to be taken to further increase availability. With the advent of information technology and an increase in e-business and e-government, internet now plays an integral role in the economic climate of the country. According to the Central Statistics Office, the Communications Sector has contributed approximately 5.27 % to the Gross Domestic Product, while this amount is 1.12 % less than the previous year, 2011 is anticipated to see a further growth in this sector as domestic economic activity is projected to increase. Unlike internet service and mobile telephone service, fixed line telephone has remained relatively constant over the period, as more persons gravitate towards mobile telephone due to the sheer convenience and flexibility this option offers.



## 5.0 Universal Service Fund Projects

In Keeping with the goal of the Universal Service Fund Programme, the Commission established its priority goal for 2010. The priority goal of the Fund for 2010 was “to expand telecommunications service throughout Grenada with emphasis on the un-served, underserved areas and institutions serving the public needs.” This formed the basis on which projects were solicited.

There is a general consensus with regards to the need to expand internet access, In this regard, projects for 2010 – 2011 would be geared at expanding internet access by developing the infrastructure where the telecommunications providers are unable to so in a financially viable manner independently. This does not negate projects geared at improving voice services.

Based on a market assessment conducted by the Universal Service Fund Administrator, the following were identified as potential projects to be funded under the Universal Service for the period 2010 – 2011:

- ❖ Improve mobile network coverage specifically in the north of the island
- ❖ Increase internet penetration throughout Grenada through infrastructural development
- ❖ Increase internet access to public institutions such as district clinics and libraries
- ❖ Wi-Fi to tertiary institutions / communities

Approximately EC \$1.8 M is available to subsidize the cost of these projects.

## 6.0 Financial Report

### 6.1 Financial Statements

#### 6.1.1 Balance Sheet

Assets	<i>Notes</i>	
Universal Service Fund Account	<i>1</i>	1,992,362.37
<b>Total Current Assets</b>		<b><u>1,992,362.37</u></b>
Property and Equipment		
Furniture and Fixtures		2,407.21
Computer Equipment		4,243.80
Accumulated Depreciation – Furniture		(201.11)
Accumulated Depreciation – Equipment		(1,180.00)
<b>Total Property and Equipment</b>		<b><u>5,269.90</u></b>
<b>Total Assets</b>		<b><u>1,997,632.27</u></b>
 <b>Liabilities and Capital</b>		
<b>Current Liabilities</b>		
Accounts Payable		\$35,909.15
<b>Total Current Liabilities</b>		<b><u>35,909.15</u></b>
<b>Capital</b>		
Net Income		<u>1,961,723.12</u>
<b>Total Capital</b>		<b><u>1,961,723.12</u></b>

<b>Total Liabilities and Capital</b>		<b><u>1,997,632.27</u></b>
--------------------------------------	--	----------------------------

### 6.1.2 Income Statement

<b>Income</b>	<i>Notes</i>	
Universal Service Fund Contributions		1,979,686.82
Interest Income		53,396.18
<b>Total Income</b>		<b><u>2,033,083.00</u></b>
<b>Expenses</b>	2	
Administrative expenses		71,314.77
Total Administrative Expenses		<u>71,314.77</u>
<b>Net Income</b>		<b><u>1,961,723.12</u></b>

### 6.1.3 Statement of Cash Flow

<b>Cash flow from operating activities</b>	
Net Income	1,961,723.12
Adjustments for:	
Accumulated Depreciation – Furniture	201.11
Accumulated Depreciation – Equipment	1,180.00
Accounts Payable	35,909.15
<b>Total Adjustments</b>	<u><b>37,290.26</b></u>
Net Cash provided by Operations	1,999,013.38
<b>Cash Flow from Investing Activities</b>	
Furniture and Fixtures	(2,407.21)
Computer Equipment	(4,243.80)
<b>Net cash used in investing</b>	<u><b>(6,651.01)</b></u>
<b>Cash Flow from Financing Activities</b>	
<b>Net cash used in financing activities</b>	<u><b>0.00</b></u>
<b>Net increase (decrease) in cash</b>	<u><b>1,992,362.37</b></u>
Cash Balance at End of Period	1,992,362.37
Cash Balance at Beginning of Period	0.00
<b>Net increase (decrease) in cash</b>	<u><b>1,992,362.37</b></u>

## 6.2 Notes to the Financial Statement

### 1. Universal Service Fund Account

Pursuant to Section 43 of the Telecommunications Act 31 of 2000, there shall be established a Fund to be known as the Universal Service Fund (USF), which shall be managed by the Commission in accordance with the Telecommunications (Universal Service Fund) Regulations SRO 21 of 2009; the Fund's income shall be deposited in separate bank account to finance the Fund projects.

A portion of 10% of the Fund's income is allocated for administrative expenses. This portion of the Fund's income, the USF Administrative Fund and the USF Project Fund which is used to fund approved project expenses is shown in the balance sheet as Universal Service Admin Account and Universal Service Fund account.

### 2. Expenses

In accordance with the Universal Service Guidelines, the Operating Budget / Administrative Fund shall be used for operating expenses of the Fund and shall not exceed 10% of the annual budget of the Fund. On a quarterly basis the Commission may disburse budgeted amounts from designated Fund Bank Account to the Commission's operating account to reimburse eligible Fund administrative expenses. The Universal Service Fund incurs a 10% charge for expenses shared with the NTRC, these include:

- Utilities
- Rent
- Office Expenses

### Depreciation

Depreciation is provided on a straight-line method at rates designed to allocate cost of the asset over the period of the estimated useful lives. These rates are as follows:

Computer & Equipments      33 ½%

Furniture & Fixtures 10-20%

