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Copy No:

No: 40/2018

Memorandum for Executive Council

SUBJECT

Telecommunications (Amendment) Regulations, 2018

Memorandum by Financial Secretary

ADVICE SOUGHT

- 1. Council is asked to consider and approve for enactment the attached Telecommunications (Amendment) Regulations, 2018 in accordance with clause 6 of the 2012 Telecommunications Licence to come into effect from 1 August 2018.**

BACKGROUND & CONSIDERATIONS

2. Members will be aware that a period of negotiations with SURE SA (SURE) on the price review referred to in clause 6 of the Telecommunications Licence 2012 (the licence) has recently concluded, and a recommendation was presented to Executive Council on the 26 June 2018 outlining a number of recommended increases to general service fees. Executive Council advised that the proposal should be further discussed with SURE.
3. The proposal, which provided a compromise between SURE's rights under the Telecommunications Licence and protecting the interest of the users of the service, was presented to SURE on the 26th June 2018.
4. The proposal has been accepted by SURE and as a result the attached draft Regulations (attached at Annex A) need to be considered for approval by Executive Council in order for the changes to come into effect on 1 August 2018.
5. Many of the fees which now appear in the amended schedule at section 4 of the draft Regulations did not appear in the previous schedule including mobile telephone fees. The Licence issued to SURE permits fees to be charged for the provision of any services specified in the Licence. There is no requirement for the fees to be subject to Regulations albeit section 53 (2) (c) of the Telecommunications Ordinance 1989 permits the Executive Council to make Regulations in respect of fees. In order to ensure a consistency of approach all fees charged by SURE will from now on be in regulations.
6. The proposed charges are summarised as follows:

A 4% increase from the 1 August 2018 on the cost of International calls, service fees and mobile charges, with an increase of 1p per minute for local calls. Note that no price

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increase on Broadband is permitted under the licence in 2018.

7. Concerns have been raised by Elected Members around further increases in fees which will have an impact on the general public. The timing was the subject of much debate whilst recognising SHG's legal obligations under the licence.
8. With this in mind, Members also requested that the Minimum Income Standard (MIS) be reviewed to take into consideration the recent price increases with a view for a compensating increase in the MIS to take effect from 1 August 2018, in order to protect the most vulnerable members of society.
9. Whilst the proposed increases are not considered timely, failure to reach a compromise would have resulted in the appointment of an independent adjudicator under section 6 of the Telecommunications License agreement 2012. There is then the risk of greater increases being imposed by this independent assessment.

FINANCIAL IMPLICATIONS

10. The MIS will be updated to reflect the recent increases in services to include telecoms and it is envisaged these will come into effect from the 1 August 2018.
11. The financial risks to SHG of not completing the review in a timely manner should also be taken into consideration; if arbitration was required there would be significant implications on legal resources associated with this process, both in terms of cost and time.
12. There is also expected to be an increase in the Service Tax received by SHG, at this time it is anticipated this will equate to a maximum of £15,000 per annum.

ECONOMIC IMPLICATIONS

13. The need for faster, cheaper internet has been identified both as requirement to reduce input costs for business, and also to avoid discouraging people from settling in St Helena. Although the change in price requested by Sure is upward, there is a 0% real increase, as the nominal 4% increase recommended reflects St Helena's annual inflation rate. Reduction in real rates in the future is being addressed as part of the investment into the Fibre Optic Cable and will be a key part of the negotiations with whomever will be the incumbent telecoms provider.
14. Although the change in price is upward, the percentage increase is not excessive, being linked to annual inflation rates.

CONSISTENCY WITH INVESTMENT POLICY PRINCIPLES

15. The decision is consistent with the Investment Policy Principles.
 1. *Make Saint Helena a desirable and competitive destination to do business by removing barriers to investment.*
 2. *Support an economy which is accessible to all potential investors and promote investments across the economy.*
 3. *Support the locally based private sector to compete in an open*

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economy but, where possible, avoid being overly protective.

PUBLIC / SOCIAL IMPACT

16. With all increases in the cost of any service provision there is likely to be a negative social and public impact, however those vulnerable members of society will have some protection through the projected uplift in the MIS.
17. This will however have an impact on those who sit just above the poverty line and should be monitored by SHG very closely.

ENVIRONMENTAL IMPACT

18. There are no environmental impacts associated with this decision.

PREVIOUS CONSULTATION / COMMITTEE INPUT

19. The proposals have been discussed and endorsed by Executive Council on the 26 June 2018.

PUBLIC REACTION

20. There is likely to be adverse public reaction to this increase given the timing of the increase along with other pressures on individual spending powers.

PUBLICITY

21. ExCo's decision should be mentioned in the ExCo Report and associated broadcast.
22. The revised Regulations will be published through the normal channels.
23. In addition, SURE have made an announcement to each consumer, giving the required one month's notice of any changes to their price plan.

SUPPORT TO STRATEGIC OBJECTIVES LINK TO SUSTAINABLE ECONOMIC DEVELOPMENT PLAN GOALS

24. Not applicable.
25. Not applicable.

OPEN /CLOSED AGENDA ITEM Corporate Support Corporate Services

26. This item will be discussed in the open agenda.

DLR

11 July 2018