

No: 64/2019

Memorandum for Executive Council

SUBJECT

Telecommunications (Amendment) Regulations, 2019

Memorandum by Financial Secretary

ADVICE SOUGHT

1. **Executive Council is asked to consider and approve for enactment the attached Telecommunications (Amendment) Regulations, 2019 (Annex A) in accordance with clause 6 of the 2012 Telecommunications Licence to come into effect from 1 April 2019.**

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) was concluded in June 2018, with the recommendations being accepted by Executive Council resulting in the publishing of the telecommunications regulations 2018.
3. The accepted proposal, which provided a compromise between SURE's rights under the Telecommunications Licence and protecting the interest of consumers, limits the amount charged by SURE for its services. The 2018 amendment to the regulations resulted in a 4% increase in a number of lines, and the agreed proposed increases for 2019 allows SURE to increase prices by a further 4% or RPI (Inflation) whichever is lowest.
4. RPI for 2018 is forecasted to be 4.1% which is higher than the 4% therefore the maximum increase allowable for those agreed lines will be 4%.
5. 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 April 2019 in line with the agreed proposal.
6. The proposed charges are summarised as follows:
A 4% increase from the 1 April 2019 on the cost of International calls, service fees and some mobile charges. Note that no price increase on Broadband was permitted under the licence in 2018 however Sure are now allowed to increase Broadband charges by 4%. The increase in broadband charges will be complimented by a reduction in the overage charge per mega bit, reducing from 7p to 5p and this will also come into effect from 1 April 2019.

7. In addition Sure have agreed to increase the data allowance on each of the packages by a minimum of 5% which will also benefit consumers from 1 April 2019.
8. 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 during the review whilst recognising SHG's legal obligations under the licence.
9. With this in mind, Members were informed that the Minimum Income Standard (MIS) review will take into consideration the recent price increases with a view to a compensating increase in the MIS taking effect from 1 April 2019, in order to protect the most vulnerable members of society.

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 April 2019.
11. 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

12. 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.
13. Although the change in price is upward, the percentage increase is not excessive, being linked to annual inflation rates.

CONSISTENCY WITH INVESTMENT POLICY PRINCIPLES

14. This paper is consistent with the following 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 economy but, where possible, avoid being overly protective.*

PUBLIC / SOCIAL IMPACT

15. 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.
16. This will however have an impact on those who sit just above the

This document is the property of the St. Helena Government; it is protected by copyright laws and by the Official Secrets Acts.

The unauthorised possession or copying of the document may result in civil or criminal penalties.

poverty line and should be monitored by SHG very closely.

**ENVIRONMENTAL
IMPACT**

17. There are no environmental impacts associated with this paper.

**PREVIOUS
CONSULTATION /
COMMITTEE
INPUT**

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

**PUBLIC
REACTION**

19. 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

20. ExCo's decision should be mentioned in the ExCo Report and associated broadcast.

21. The revised Regulations will be published through the normal channels.

22. In addition, SURE will make 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**

23. Not applicable.

24. Not applicable.

**OPEN /CLOSED
AGENDA ITEM**

25. This item will be discussed in the open session.

DLR

Corporate Support
Corporate Services

30th January 2019

This document is the property of the St. Helena Government; it is protected by copyright laws and by the Official Secrets Acts.

The unauthorised possession or copying of the document may result in civil or criminal penalties.