

Memorandum for Executive Council

SUBJECT

Exemption for Fuel Duty 2019

Memorandum by the Financial Secretary

ADVICE SOUGHT

1. **Executive Council is asked to consider and advise whether an Exemption Order should be issued to exempt from customs duty diesel fuel imported or sold:**
 - a. **For the purpose of generating electricity by Connect St Helena Ltd for the period 1 April 2019 - 31 March 2022;**
 - b. **For the purpose of commercial fishing for the period 1 April 2019 – 31 March 2020; and**
 - c. **For the purpose of running the fish processing plant by the St Helena Fisheries Corporation for the period 1 April 2019 – 31 March 2020.**

BACKGROUND & CONSIDERATIONS

2. Exemption Orders were in place to exempt payment of customs duty on diesel fuel imported or sold for the purpose of generating electricity by Connect Saint Helena Ltd, for commercial fishing and for running the fish processing plant by the St Helena Fisheries Corporation. However these Exemption Orders have now expired.
3. The purpose for which the Exemption Orders were originally agreed remain the same.
4. When the utilities services were divested from SHG and Connect Saint Helena Ltd was established, the same exemption that SHG applied when it ran the electricity generation was carried over to the new company. This ensured that there was no sudden increase in electricity tariffs as a result of the divestment. The continuation of this arrangement means that electricity tariffs can be kept as low as possible.
5. The exemption for commercial fishing and for the fish processing plant provides additional support to the local fishing industry and supports the achievement of the Sustainable Economic Development Plan goals.
6. Without these key exemptions on fuel duty, Connect Saint Helena Ltd will increase electricity tariffs significantly which

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will impact across the community on individuals especially poor/ low income households and businesses and the cost to the fishing industry at this critical time will be substantial to the extent that their profit margins which are already constrained because of capacity and pricing will be severely affected. This could be detrimental to the development of the industry.

7. It is recommended that the exemption should be for a period of 3 years for electricity generation. For commercial fishing and for the processing plant, a shorter period of 1 year is recommended. This is due to the level of uncertainty around the future model for the fishing industry and it is recommended that the exemption is reviewed again next year when more about the future of the industry is known.

**FINANCIAL
IMPLICATIONS**

8. The current rate of fuel duty is 39p per litre of fuel. Based on current consumption it is estimated that the exemption will cost in terms of loss of revenue of £865,000 for electricity generation and £30,000 for commercial fishing/ processing plant. This loss of revenue has already been factored into the revenue forecasts for next financial year and the proposed Budget for 2019/20 has been built on this assumption.

9. Therefore it is not anticipated that there will be any further loss of revenue over and above what has already been factored in.

**ECONOMIC
IMPLICATIONS**

10. This decision will support the fishing industry, help to keep fuel prices stable and therefore supports the SEDP goals. The ability to keep electricity tariffs as low as possible helps to reduce pressures on business, investment and living. If not agreed, there would be an effect on sustainable growth.

**CONSISTENCY
WITH
INVESTMENT
POLICY
PRINCIPLES
PUBLIC / SOCIAL
IMPACT**

11. N/A

12. This will have a positive social impact as electricity tariffs can be kept at the lowest level possible. The continued support for the fishing industry will also have a positive impact on the community by helping to ensure the availability of fish and employment within the industry as a whole.

**ENVIRONMENTAL
IMPACT**

13. There are no direct environmental impacts identified.

**PREVIOUS
CONSULTATION /**

14. This has been considered and is supported by the Economic Development Committee.

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**COMMITTEE
INPUT**

**PUBLIC
REACTION**

15. Public reaction is expected to be positive as electricity tariffs can be kept at the lowest level possible. The continued support for the fishing industry will also be well received by the community in terms of the availability of fish and employment within the industry as a whole.

PUBLICITY

16. It is proposed that mention should be made in the Executive Council report and associated radio broadcast.

**SUPPORT TO
STRATEGIC
OBJECTIVES
LINK TO
SUSTAINABLE
ECONOMIC
DEVELOPMENT
PLAN GOALS**

17. This paper supports the following National Goal in the St Helena Island 10 Year Plan 2017-2027 - Altogether Wealthier.

18. The paper supports the SEDP through Goal 1 *Increase Exports* and 4 *Substitute Imports*, by supporting the fishing industry.

**OPEN /CLOSED
AGENDA ITEM**
Corporate Finance
Corporate Services

19. It is recommended that this is held in open session.

DLR

20th March 2019