S.P. 32/25

St Helena Government

ST HELENA PUBLIC ACCOUNTS COMMITTEE

REPORT TO LEGISLATIVE COUNCIL ON THE FORMAL SESSION OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON THURSDAY 3 APRIL & THURSDAY 10 APRIL 2025

LAID IN HOUSE ON 26 JUNE 2025

St Helena Public Accounts Committee

Report to Legislative Council on the Formal Session of the Public Accounts Committee held on 3 and 10 April 2025.

1. Introduction

In accordance with Section 69(6) of the Constitution of St Helena, Ascension and Tristan da Cunha, the Public Accounts Committee (PAC) hereby reports to Legislative Council on the second Formal Session of the Committee, held on 3 and 10 April 2025, to examine the Performance Audit Report on the Fibre Optic Cable Network Project.

Membership of the Committee comprise:

Chairman:	Mr Mark Yon
Vice Chairman:	Mr Bramwell Bushuru Lumukwana
Members:	Hon Gillian Brooks
	Hon Dr Corinda Essex
	Hon Karl Thrower

The Committee is advised professionally by the Chief Auditor, Mr Brendon Hunt and administrative support is provided by the Clerk, Miss Anita Legg.

A transcript of these proceedings will be made available in the Public Library and on the St Helena Government (SHG) website at http://www.sainthelena.gov.sh /public-accounts-committee/.

2. Order Paper – Second Formal Session, 3 and 10 April 2025

I. Chairman's Address

II. Performance Audit Report: Fibre Optic Cable Network Project

I. Chairman's Address

The Chairman opened the meeting and welcomed all in attendance and everyone listening via radio and live streaming.

As is customary, the Chairman explained the Constitutional role of PAC in accordance with Section 69 of the Constitution of St Helena, Ascension and Tristan da Cunha and Standing Order 26. He went on to explain the Committee's primary function, which is to objectively scrutinise how the Government spends the public purse and advised further that the PAC is protected to act independently and is not subject to the direction or control of the Governor, the Executive Council, or any other body or authority and has power to call any person to give evidence orally.

The composition of the Committee together with the key advisory and administrative support roles were then highlighted. He also explained the absence of Hon. Gillian Brooks, who was overseas.

The Chairman moved on to explain the business under scrutiny, being the second public PAC hearing for 2025.

Two sittings had been scheduled for this topic and the Chairman encouraged the public to join the second sitting for the following Thursday, 10th April with Mr Carlos Bock, Director of Maestro Technologies Limited via video link.

In concluding the formal session the Chair extended thanks to all officials for attending and providing evidence, and paid tribute to the Audit St Helena team for producing an excellent performance audit report. He added that PAC would evaluate the evidence heard and submit a report to Legislative Council on its findings, together with any recommendations. He also thanked the listening public for their interest in the work and activities of the St Helena PAC and expressed the Committee's gratitude to the South Atlantic Media Services for providing live coverage.

The evidence taken at the second Formal Session of PAC for 2025 is summarised below.

II. Performance Audit Report: Fibre Optic Cable Network Project

On Thursday 3 April and Thursday 10 April 2025, PAC examined the Fibre Optic Cable Network Project and the following persons attended to give evidence:

- Hon. Minister for Treasury & Economic Development – Mr Mark Brooks
- Chief Secretary – Mrs Susan O'Bey
- Financial Secretary – Mr Dax Richards
- Portfolio Director for Economic Development – Mr Damian Burns
- IT Section Manager/Chief Digital Officer – Mr Jeremy Roberts
- Head of Programme Management Office – Mr Paul Cherrett
- Chief Executive Officer, Connect Saint Helena Ltd – Miss Janet Lawrence
- Director, Maestro Technologies Limited – Mr Carlos Bock

The Performance Audit Report on the Fibre Optic Cable Network Project was prepared by Audit St Helena under section 29 (2) of the Public Finance Ordinance. It was laid at Legislative Council on 13 February 2025, under section 29 (3), as Sessional Paper No. 02/25 and referred for PAC scrutiny, under Standing Order 26 Rule 2(a) (iii).

The Report focuses on the subsea cable, funded by the European Union and the proposed on-island network upgrade which, to the point of termination of the contract with Maestro, had been funded by the Economic Development Investment Programme (EDIP). SHG partnered with Google and Maestro and invested approximately £16.3m to connect St Helena to the internet via the Equiano subsea cable, build and commission the Cable Landing Station and begin the project to build the on-island Fibre Optic Network, thereby significantly improving bandwidth and access for residents and businesses having transitioned from satellite technology. Challenges in implementation of the on-island network upgrade, together with an optimistic project timeframe, led to a serious Design, Build and Transfer project failure and the termination of the contract between SHG and Maestro Technologies Ltd. The Report goes on to recommend smarter project planning, better stakeholder engagement, developing comprehensive regulations, updating relevant strategies and the consideration of expert help in overseeing strategic projects.

The following is a list of the key areas on which PAC made enquires:

- Funding for the Fibre Optic Cable network project – from the subsea cable through the Cable Landing Station and 'Design, Build and Transfer' or 'DBT' contract – that came from a variety of sources and that the funding to procure a new contractor was uncertain.
- St Helena Government's ambition to have a state-owned passive telecommunications infrastructure.
- The invitation to the 'DBT' tender, which focused on building passive and active fibre optic network infrastructure (Lots 1 & 2)
- A procurement-related litigation threat by a losing bidder as another factor that contributed to the delays in project execution.
- The numerous boards and committees that touched the DBT project, which did not include the Telecommunications Programme Board, which was established

in May 2023 to drive the suite of cable-related projects forward, illustrated in Figure 9 in the report.

- The late establishment of the Fibre Optic Telecommunications Infrastructure Project Board to oversee the DBT project, undertaken by Maestro, who began meeting about 5 months into the project's 12-month term.
- The timeline on the required performance bond.
- A new local company, Maestro St Helena, registered after Maestro Technologies Limited was awarded the contract.
- The timely manner in which a project manager and supervisor was to be assigned and the reason for the NEC4 contract type.
- The engagement of critical stakeholders under the "DBT" project.
- Access to Connect Saint Helena Ltd poles and a pole sharing agreement.
- The termination of the DBT contract on 30 October 2023.
- The Government's aspiration for the improvement in telecommunications services and the benefits for the Island.
- The special fund for the Cable Landing Station.
- The 10-year exclusive Telecommunications licence to SURE to provide telecommunications services from January 2013 through December 2022, which was later extended.
- Ownership of physical telecommunications infrastructure in Jamestown.
- Ownership arrangements, associated rights and obligations.
- Consultants such as Cube Ultra, Moorhouse, Pelagian and 15 others appointed over the Equiano Cable, Cable Landing Station and the on-island Fibre Optic phases of the wider projects.
- The Google contract.

PAC received explanations and assurances for the above-mentioned enquiries and a transcript of these proceedings will be made available in the Public Library and on the St Helena Government website at http://www.sainthelena.gov.sh/public-accounts-committee/.

Based on the responses provided, the below main conclusions were drawn, with recommendations proposed following PAC deliberations.

Main conclusions

Diverse funding sources supported the project, but the PAC was concerned to hear that depleted reserves and uncertain future funding sources pose challenges for the completion of the DBT project. The Financial Secretary (FS), outlined that the project was primarily funded by the 11th European Development Fund (EDF), with €17.2 million allocated for St Helena, plus €610,000 from Envelope B, totalling €17.8 million for the subsea cable and Cable Landing Station. The Design, Build, and Transfer (DBT) portion was funded through the Economic Development Investment Program (EDIP), a general reserve call, and residual EDF 9 and 10 funds, each contributing £1 million. The FS noted that Ministers chose EDIP funding for the DBT because the Consolidated Fund exceeded the £5 million minimum reserve at the time, allowing a mix of funding sources. When speaking to the source of future funding for the DBT project the FS stated no funds remain due to depleted reserves from recent deficits, leaving the Government below the £5 million reserve. Options for future funding, including commercial loans, are under consideration but remain undecided. The PAC asked if alternative options were being driven by funding shortages, which the FS confirmed as being a factor for options which do not follow the DBT routes. The FS also confirmed that EU funding is no longer available, and commercial loans require UK approval to avoid contingent liabilities.

SHG pursued a state-owned passive infrastructure for control, but unclear decommissioning responsibilities and regulatory limitations complicated execution. The Chief Digital Officer (CDO), defined passive infrastructure as the cabling and equipment for data transmission, excluding Internet Service Provider (ISP) connectivity. The Design, Build, and Transfer (DBT) project aimed to establish a fibre and possibly microwave infrastructure to enable future service providers to handle connectivity. The FS explained that the expiring SURE South Atlantic Limited license (originally ending in December 2022 but extended to December 2023) and ambiguities in the 1989 Telecommunications Ordinance regarding asset transfer at license end, prompted SHG to explore a DBT approach. This followed an unsuccessful Design, Build, and Operate (DBO) proposal, hindered by the Ordinance's lack of protection for SHG, leaving uncertainty about infrastructure availability for future licensees. Ministers, advised by a Telecommunications consultant, opted for a new SHG-owned passive fibre network, leading to a contract with Maestro Technologies Limited.

Minister Mark Brooks elaborated that SURE's DBO proposals (BAFO 1, 2, 3) were rejected due to high costs, extended timelines, and license-end uncertainties, not aligning with the Island's digital strategy or fibre-to-the-home aspirations. A tender process resulted in three bids—one from SURE (on-island), one from Maestro, and one from another off-island company—with Maestro selected as the best option given available funding. Minister Brooks explained that DBT was chosen over DBO to ensure SHG's control over the network, enhancing service quality for the island. DBO would have left control with the operator and wasn't SHG-funded, whereas DBT was. The FS added that DBO was attempted first but failed, leading to the DBT route. The CDO noted SHG lacked the in-house telecom expertise to manage a DBO network, requiring additional resources.

The PAC were concerned to hear that the 1989 Telecommunication Ordinance left responsibility for decommissioning SURE's copper infrastructure unclear, with no definitive resolution reached despite discussions. The Committee also highlighted the risk of legal disputes and significant costs, which the FS acknowledged but noted were not considered part of the project based on legal advice at the time. The FS committed to acknowledging the risks in future options put before Executive Council but this may not include decommissioning costs. The Portfolio Director for Economic Development confirmed that an options paper was in the process of being prepared for Ministers, with the aim of deciding on a course of action before the next 6 month roll forward of SURE's license.

The DBT tender focused on building a passive and active fibre optic network, but SHG lacked in-house expertise for design, and mobile network inclusion was deferred to an uncompleted lot three of the project. The FS explained that SHG lacked the expertise to design the network. This led to the Design, Build, and

Transfer (DBT) tender approach, which included acquiring external skills to design, build, and transfer the system to SHG. The FS stated that the goal of SHG owning the passive infrastructure was to enable multiple uses, potentially by different operators, moving toward an open network model to reduce exclusivity. This could allow one operator for internet services and another for mobile, or an ISP wholesaling to smaller providers for additional services, depending on lot three tender responses. The FS further clarified that lot three was intended as a comprehensive tender for all services, but it didn't preclude multiple providers if their proposals were in St Helena's best interest.

The PAC was concerned to conclude that there is now uncertainty as to whether the plan to provide international direct dialling using the +44 prefix is still a future option. The FS somewhat mitigated these concerns by clarifying that technology has evolved since 2021, and current workarounds allow most users to access international networks.

The PAC questioned whether the target set in the 2019 Needs and Delighters document were set high enough given that officials affirmed that most targets and KPIs from this document had been met, even though the fibre to home project had not been completed. From testimony heard the committee concluded that the targets had been set taking into account existing copper network infrastructure on Island. Officials confirmed that the 2017 Digital Strategy is currently under review. The PAC noted the current preference towards a technology neutral approach towards outcomes, as opposed to prescribing 95% fibre coverage across the Island.

A procurement challenge alleging a conflict of interest caused a three-month delay in the Fibre Optic Cable Project, highlighting deficiencies in due diligence and communication, with no specific accountability or regulatory changes implemented to prevent recurrence. The committee concluded that the procurement process failed to identify a conflict of interest involving an individual transitioning from the Design, Build, and Operate (DBO) to the Design, Build, and Transfer (DBT) phase in a different capacity. The Telecoms Advisor did not flag this issue to the Procurement Board, revealing a gap in due diligence mechanisms.

The committee was concerned to conclude that no specific individuals were held accountable for the oversight, as the FS could not recall the investigation's outcomes during the hearing, committing to provide details later. The committee noted a lack of clarity on responsibility for the initial failure to detect the conflict. Despite the Telecommunications Advisor's recommendation to extend the contract's end date to offset the delay, SHG, following the Attorney General's advice, did not extend the contract period, a decision the committee found contributed to further project setbacks. The committee concluded that while Procurement Regulations were updated to require declarations of interest from project board and evaluation team members, no specific changes addressed the unique nature of this conflict, described as an unusual circumstance by the FS. This raises concerns about the robustness of measures to prevent similar issues in future procurements. The committee noted that the pause, coupled with legal advice to halt communications, led to a lack of public updates, fuelling public criticism around late 2022. This underscored deficiencies in managing public expectations during project disruptions.

Inadequate initial governance structures and resource constraints led to the delayed establishment of effective project boards, with overlapping roles and insufficient early planning contributing to project setbacks, despite subsequent improvements via the Programme Management Office (PMO). The committee concluded that the initial Fibre Optic Cable Project Board, chaired by the Chief Secretary, was established early but was not suited to oversee the complex Design, Build, and Transfer (DBT) phase, leading to the creation of the Telecoms Infrastructure Board in April 2023, as noted on page 44 of the Chief Auditor's report. This delay in forming an appropriate board hindered effective oversight.

The committee found that conflicting advice from Cube Ultra (recommending a contract extension) and the Attorney General (advising against it) was resolved by the Executive Council (ExCo), as confirmed by the FS and Minister Brooks. The decision not to extend the contract, despite a three-month delay, was based on legal advice and unresolved issues like the performance bond and parent company guarantee, but the committee noted a lack of clarity on who ultimately made the call, requiring further follow-up.

The PAC was concerned to conclude that the decision to purchase equipment just before the March 2023 year end appeared to be driven by the need to utilise Economic Development Investment Programme (EDIP) funding before the financial year-end. Officials testified that this equipment was deemed usable regardless of the project's outcome, but the committee expressed concern over the optimistic assumption that the project could still be delivered within nine months at that point.

The committee concluded that the establishment of the Programme Management Office (PMO) was identified as a step to address past governance failures with the Chief Secretary emphasising new frameworks to ensure proper planning, resource allocation, and separation of roles. The committee concluded that these measures aim to prevent similar issues but were implemented too late for this project.

The PAC concluded that the late establishment of the Fibre Optic Telecommunications Infrastructure Project Board, five months into the 12-month DBT contract, reflects inadequate foresight and resource constraints, delaying oversight of the critical last-mile infrastructure. The committee found that the Programme Management Office (PMO) was not involved until March 2023, four months after the contract signing, due to resource shortages. The FS's testimony indicated that the need for last-mile infrastructure was recognised as early as February 2020 during the Design, Build, and Operate (DBO) process (page 15 of the report). However, the committee concluded that the government's failure to act promptly on this need, transitioning to the DBT process only in 2022, reflects poor planning.

Maestro's failure to provide a performance bond within the required four weeks, and SHG's lenient approach, delayed the project by nine months, increasing financial risk and contributing to the contract's eventual termination. The committee concluded that Maestro failed to provide a performance bond by mid-December 2022, four weeks after the contract signing, as required. The FS testified that Maestro's initial bond document was inadequate, and subsequent delays involved issues with two banks (initially Santander, then Banca Sabadell), taking until August 2023 to secure a bond, which Maestro withheld pending a new contract term (page not specified but referenced in testimony). The committee noted that SHG's patience, described by the FS as leniency to achieve project outcomes, allowed Maestro to continue without a bond, increasing SHG's exposure. The committee found that SHG could have terminated the contract after four weeks but chose not to, a decision that prolonged uncertainty. The committee noted that the 30% performance bond, intended to protect SHG, was set based on lessons from the airport project, where bonds were insufficient. The FS confirmed that the bond's fixed value was designed to ensure SHG's interests but noted that bond requirements vary by contract, with no fixed policy for future projects. For his part the CEO of Maestro mentioned that SHG's request for Maestro St Helena to revise their corporate structure meant that delays in providing the performance bond as further co-ordination was required with the banks as a result of this request. The CEO also confirmed that ultimately Maestro took a commercial decision to not provide the performance bond when it became apparent the project was not progressing as it should.

The decision to contract with Maestro St Helena, a newly registered local subsidiary, instead of Maestro Technologies, delayed the project due to disputes over the holding company guarantee. The committee concluded that SHG contracted with Maestro St Helena, a local entity registered post-award, to secure tax benefits for St Helena, unlike the Basil Read project, which yielded no corporate tax revenue, as explained by the FS. This was proposed by Maestro as part of their corporate social responsibility. The committee noted that the shift to a local subsidiary necessitated an ultimate holding company guarantee, which Maestro submitted in December 2022 but was rejected by SHG due to an inadequate holding company structure. The committee found that resolving the holding company structure took eight months (until August 2023), exacerbated by the procurement challenge and concerns about a conflicted director. External legal counsel, consulted for assurance, confirmed the final structure was acceptable, but the delay slowed project progress. The committee concluded that the authorisation to contract with the subsidiary involved discussions between the Attorney General's Chambers and FS, but it was unclear whether ExCo approved the decision, requiring further clarification.

The failure to appoint a permanent project manager and supervisor to the DBT project promptly, compounded by an inadequate understanding of the NEC4 contract, undermined project execution, reflecting resource shortages and poor planning. The committee concluded that SHG's failure to appoint a permanent project manager and supervisor early was due to resource shortages, as the FS acknowledged. Cube Ultra served as interim project manager from the contract's start (November 2022), with Moorhouse Consulting being appointed as project manager in June 2023, leaving a gap during the critical early phase. The committee heard that the tender for a project supervisor received no responses, and recruitment was abandoned due to the project's uncertain status and lack of an approved design. This decision was deemed reasonable but highlighted planning deficiencies. The Chief Secretary's testimony revealed that SHG lacked the capability to execute the complex NEC4 contract, a fact known at the outset but insisted upon by the Attorney General's Chambers. The committee concluded that both SHG and Maestro lacked sufficient understanding of NEC4 requirements, contributing to project failures. The committee heard from officials that the Attorney General's insistence on the NEC4 contract, despite SHG's objections, placed officers in a difficult position. The requirement for the Attorney General to sign contracts over £100,000 (pre-2024 regulations) limited flexibility, though post-2024 changes allow the Chief Secretary to sign contracts over £250,000, addressing some issues.

SHG's failure to engage critical stakeholders such as Connect Saint Helena Ltd, the Planning Office, and Landowners early in the DBT project missed opportunities for buy-in, exacerbating delays due to inadequate planning and resource constraints. From testimony provided the committee concluded that SHG did not sufficiently engage key stakeholders (e.g., Connect, Planning Office, landowners, SURE, end-users) before issuing the DBT tender. Engagement primarily began post-tender when Maestro sent personnel to the island, indicating a reactive approach. The committee noted that SHG attempted to create an enabling environment by introducing Maestro to stakeholders such as Connect for pole-sharing discussions and the GIS team for surveys. However, insufficient hand-holding and Maestro's lack of project management capability, as highlighted by the Chief Secretary, limited progress. The FS admitted that, in hindsight, more could have been done to engage stakeholders earlier. The committee concluded that this reflects poor upfront planning, compounded by the December 2022–April 2023 litigation pause, which stalled further engagement. The Chief Secretary noted that restricted island access during the COVID-19 pandemic (pre-2022) limited stakeholder consultations, requiring special dispensations for visits. The committee concluded that these external constraints partially explain, but do not excuse, the lack of early engagement.

SHG's failure to negotiate a pole-sharing agreement between Connect and Maestro before the DBT contract award, despite contractual obligations, was identified by the committee as a key reason for the failure of the project. The committee concluded that SHG, as per item 9.4.2 of the DBT Contract Scope of Work, was responsible for leading pole-sharing agreement negotiations with Connect but did not convene discussions until after the contract was awarded to Maestro. The FS testified that SHG discussed pole access with Connect before the contract signing (November 2022), but these talks were high-level, lacking detail on safety or technical requirements. The committee found this insufficient to prepare for the contractor's needs. The CDO highlighted that Maestro failed to provide a detailed network design post-contract, as stipulated, making it impossible for SHG to present specific proposals to Connect. The committee concluded that this design delay compounded SHG's failure to facilitate early agreement. The FS noted that Connect rejected Maestro's pole-sharing proposals due to safety issues, particularly inadequate Risk Assessment Method Statements (RAMS). The committee noted the FS's assurance that a pole-sharing agreement would be negotiated with Connect for any future contractor, depending on the selected solution. This underscores the need for proactive engagement in future projects. According to the CEO of Maestro, Mr, Carlos Bock, the feedback to Maestro on their RAMS was inconsistent as on one hand it was firstly "too simple" then "too complex". Mr. Bock was also of the opinion that the pole sharing agreement should have been entered into by SHG, as the ultimate owner of the infrastructure, with Connect and that had this agreement been in place Maestro would have been able to finish the project within the original timelines.

The committee heard from the CEO of Connect that they rejected eight versions of Maestro's RAMS, due to critical safety deficiencies, including lack of adaptation to St

Helena's terrain, inadequate workforce safety measures, and insufficient spacing between lines on shared poles. Connect viewed Maestro's submissions as generic, internet-sourced, and un-adapted, raising red flags about their capability. The committee also heard that Connect does not charge SURE for pole access due to mutual maintenance benefits. This arrangement would apply to future providers unless network expansion prompts cost considerations, which SHG must factor into future contracts. The committee found that Connect's pole infrastructure is partially saturated, limiting capacity for additional lines. Maestro's lack of a finalised network design prevented assessment of pole capacity, underscoring the need for detailed planning in future projects.

SHG's termination of the DBT contract with Maestro in October 2023, coupled with a shift to prioritising a legal and regulatory framework, leaves uncertainty about the usability of £508,000 in materials, £170,000 in staff and design costs, with no clear timeline for network rollout. The committee concluded that SHG terminated the DBT contract with Maestro on October 30, 2023, and agreed to a "drop hands" settlement in March or April 2024, as per the FS testimony. This settlement confirmed SHG's ownership of £508,000 in materials (cables, poles, tools) and reimbursement to Maestro of £170,000 for staff and network design costs, totalling £678,000, with no further payments owed. The FS indicated that SHG is assessing whether the £508,000 in materials can be used in future network proposals, but no definitive decision has been made. The committee noted that unused materials may need to be disposed of off-island, factoring in shipping costs, potentially leading to a write-off, if no value is recovered.

The committee concluded that SHG's shift to prioritising a legal and regulatory framework over a near-term technological solution delays the fibre rollout. The draft Communications Bill 2025 aims to address shortcomings in the 1989 Telecommunications Ordinance, which the FS described as being inadequate for protecting SHG's interests. The committee also heard from the Portfolio Director for Economic Development and Minister Brooks that future network solutions depend on the Communications Bill 2025, expected to be approved by June 2025. Delays in enactment could hinder technical rollouts, as the FS noted, particularly regarding the establishment of a formal regulator.

The Equiano cable delivered significant speed improvements for key SHG facilities, but unmet aspirations for residential and business connectivity, which are not achievable under legacy infrastructure, highlight the need for enhanced monitoring and updated KPIs under a new regulatory framework. The committee concluded that the Equiano cable, commissioned in June 2023, increased SHG's network capacity to 10 gigabits per second, with download speeds at key facilities (Hospital, Community Care Centre, Schools, the Castle) rising from 5–20 Mbps to 100–300 Mbps, as per the CDO's testimony. These exceed the EU programming document KPIs. Minister Brooks and the FS testified that SHG's original aspirations, set in the EU programming document and DBT tender (300 Mbps download/50 Mbps upload for homes, 500 Mbps/100 Mbps for businesses), remain unachieved for residents and businesses due to the DBT contract's failure. The committee noted that current speeds, while improved, fall short of these targets.

The Committee concluded that inadequate monitoring provisions are in place, to ensure quality standards are adhered to in the current contract with SURE. The FS explained that the Electronic Communications Consultative Committee (ECCC), chaired by him and including the CDO, Susanna Nightingale, and SURE representatives, receives quarterly updates from SURE but lacks household-specific speed data. The committee concluded that the absence of robust, region-specific performance reports limits SHG's ability to ensure service quality. The FS and the CDO clarified that SHG pays for the right to use up to 100 Gbps via a 15-year Indefeasible Right of Use (IRU) with Telecomm Egypt (TE), costing $1 million plus $100,000 for dynamic control, but only 20 Gbps is currently used by SURE. The committee concluded that maximising economic benefits requires strategic proposals to increase capacity usage, pending Ministerial decisions.

The 2017 Digital Strategy delivered partial benefits through satellite ground stations and improved connectivity, but unrealised broadband enhancements for homes and businesses underscore the need for strategic capacity allocation and transparent revenue tracking. The CDO testified that the 2017 Digital Strategy achieved benefits such as satellite ground stations (e.g. OneWeb's space park in Longwood), enhanced government connectivity for telemedicine and education, and improved household speeds. However, the committee concluded that these fall short of the strategy's goals for island-wide high-speed broadband and cost reduction. The FS clarified that revenues from capacity sales (10 Gbps cards) and land leases for satellite ground stations, offset cable landing station operating costs, recorded in its trading account, while spectrum fees go to the Customer Service Centre. The committee concluded that SHG must improve transparency by clearly reporting these revenues in its financial statements. The committee found that SHG collects service tax from third-party providers under the Service Tax Ordinance, as the FS noted, but specific tax revenues from satellite ground stations were not detailed, suggesting a need for clearer financial reporting. The committee highlighted that the 1989 Telecommunications Ordinance restricts internet backhaul sales to Sure, limiting SHG's ability to directly sell capacity to others like OneWeb. The committee concluded that the Communications Bill 2025 must address these restrictions to maximise economic benefits from unused capacity (80 Gbps).

The Committee concluded that under the current license agreement with SURE, SHG was indirectly subsidising internet prices on Island. The FS and Minister Brooks confirmed that SHG did not reduce its internet expenditure post-Equiano cable activation (June 2023), forgoing financial benefits to allow SURE to offer reduced consumer prices. The committee concluded that this arrangement effectively subsidises community broadband, with the committee noting SHG is "indirectly subsidising" costs, though the FS avoided the term. The committee noted that SHG's unchanged expenditure, despite increased capacity (up to 1 Gbps for government use), may be unsustainable given fiscal pressures, as the FS acknowledged. Future proposals to ExCo must address whether SHG can continue this approach or seek cost reductions.

SHG's ambition to eliminate SURE's exclusive telecommunications license under a new regulatory framework aims to foster competition, but potential drawbacks, including service disruptions and increased costs for vulnerable residents, require careful consideration. The committee concluded that SHG's initial goal, as articulated by the FS and Minister Brooks, was to remove SURE's exclusivity (granted under the 1989 Telecommunications Ordinance from 2013, extended beyond 2022) through the DBO and DBT processes. However, Ministers remain open to exclusivity if it benefits the community, reflecting a pragmatic approach. Minister Brooks highlighted that allowing competitors (e.g. Starlink, as on Ascension Island) could lead to SURE withdrawing, potentially eliminating landline and TV services valued by some residents. The committee noted this as a significant risk, particularly for non-internet-reliant households. The Chief Secretary testified that competition could increase costs for remaining SURE customers, disproportionately affecting less affluent residents, potentially requiring SHG subsidies to ensure equitable access. The committee concluded that social equity must be a key consideration in licensing decisions. The CDO noted that if customers shift to competitors like Starlink, the cable landing station's trading account could face losses, requiring subsidies to break even. The committee found that this financial risk underscores the need for a balanced market model. The FS and the Portfolio Director for Economic Development explained that the draft Communications Bill 2025 introduces an independent Regulator to enforce technical standards and promote competition, even under exclusivity, by simulating competitive market conditions (Section 7 of the Bill). The committee concluded that this framework aims to address past failures, such as Sure's reliance on outdated ADSL technology. The Portfolio Director for Economic Development emphasised that ExCo's forthcoming options paper will determine the future market model, including exclusivity. The committee concluded that SHG must weigh competition's benefits against risks to service continuity and affordability, ensuring public consultation on the Communications Bill 2025, informs the decision.

Recommendations

In relation to its scrutiny of the Performance Audit Report: Fibre Optic Cable Network Project, **PAC recommends that**:

1. In the event that the future on-island telecommunications infrastructure is constructed via a DBO model, SHG document their reasoning for deviating from the DBT model.
2. The Telecommunications Ordinance, 1989 be amended to require that an asset register be maintained that includes:
    - Details of non-SHG infrastructure installed on Crown Land; and
    - The value of such infrastructure.
3. The final options paper to be presented to Executive Council, detailing the future configuration and model for the provision of on-island telecommunication services, should include the decommissioning costs of current and future telecommunications infrastructure when applicable.
4. The Telecommunications Ordinance, 1989 be amended to allocate responsibility for the decommissioning and the removal of on island telecommunications infrastructure.
5. SHG adhere to the competition requirements in Section 11 of the Procurement Regulations, 2024 when awarding the future DBT or DBO contract to build the on island telecommunications infrastructure. This section of the Regulations requires that there should be open competition with at least three responses.

6. Should SHG proceed to construct the on-island telecommunication infrastructure via a single source procurement exercise, the motivation to do so should clearly address the requirements of Section 25.2 of the Procurement Regulations which set out the scenarios in which single source procurement exercises can be undertaken or provide detailed justification for not doing so.
7. SHG provide a clear roadmap for the provision of telecommunication services facilitated via the +44 prefix to occur on island, which should also include the provision of international Short Messaging Services (SMS).
8. SHG amend procurement procedures, and due diligence processes, to ensure that declaration of interests are obtained from all procurement officers and advisors to the procurement board and create clear protocols for investigating procurement failures, with documented outcomes and assigned responsibilities.
9. SHG identify an accountable official to whom the responsibility of ensuring the safe custody of the materials and equipment purchased under the DBT project should be allocated.
10. The PMO be included in all project governance structures as a default governance procedure.
11. SHG develop and implement a policy relating to performance bonds to guide the requirement to seek performance bonds on infrastructure projects. The policy should include a provision to notify service providers of the need to supply the performance bond early in the tender process.
12. SHG take steps to ensure that the Attorney-General's Chambers has access to a commercial lawyer who possesses the necessary skills and experience to meet the needs of the island.
13. SHG develop a stakeholder engagement framework to guide future involvement on projects of a strategic nature.
14. Through its influence on the boards of its subsidiaries SHG ensure that the regulator of applicable industries be made aware of the details of network poles that are subject to pole sharing arrangements.
15. a) Through its influence on the board of Connect, SHG ensure that the pole sharing arrangement between Connect and SURE be formalised in an agreement with Connect obtaining a fair market return, and recovery of maintenance costs, for the use of these assets. In this process SHG should also document the steps taken to ensure that SHG is not subsidising the use of these assets by a private sector company.

    b) In the event that the future on-island telecommunications infrastructure is constructed via the DBT model, and the contract will envisage utilising Connect's network poles, SHG enter into a pole sharing agreement with Connect before the award of the contract.
16. SHG ensure that any future network solution only be implemented when the identified deficiencies in existing telecommunications legislation have been rectified.
17. Future contracts/licenses with telecommunications providers include robust monitoring provisions to allow for remedial action should the quality of services provided not meet international standards.
18. SHG ensure that there is adequate public consultation prior to the amendment of telecommunications legislation.

19. Before deciding on the future telecommunications solution SHG should actively pursue a mix of commercial loans, donor funding, and public-private partnerships to reduce reliance on reserves and EDF-style grants.
20. Procurement procedures to be updated to include steps to be followed when a service provider wishes to create a local entity through whom they will perform the contract. These procedures should specifically address the steps to be followed in respect of performance bonds and ultimate holding company guarantees.
21. The Telecommunications Ordinance, 1989 be amended to remove the restrictions on SHG directly providing internet backhaul to future users like Oneweb.
22. The options paper to be provided to Executive Council must consider whether it is financially sustainable for SHG to continue subsidising on-island internet prices.
23. SHG finalize the review of the 2017 Digital Strategy to reflect current needs, technology-neutral approaches, ambitious yet achievable KPIs which are not overly reliant on legacy infrastructure and actions taken to maximise benefits from utilisation of the unused capacity on the Equiano Cable
24. The future model must ensure that telecommunications solutions are affordable and available to all.

3. Concluding Remarks

The Public Accounts Committee acknowledges the work of the Chief Auditor and staff at Audit St Helena in assisting with the production of this Sessional Report to Legislative Council. The Committee also thanks the attending Officials, Connect Saint Helena Ltd and Maestro Technologies Limited, for providing evidence in response to lines of inquiry.

The Sessional Report on PAC proceedings held on Thursday, 3rd and Thursday 10th April 2025 is hereby authorised for issue to Legislative Council pursuant to Section 69 (8) of the Constitution of St Helena, Ascension and Tristan da Cunha.

Bramwell Lumukwana
Vice Chairman
St Helena Public Accounts Committee

17 June 2025