

## **Telecommunications Act 2009 (No.20 of 2009)**

### **NOTICE OF FUNDING DEFICIT**

(Section 133(4))

#### ***Explanatory Note***

*The Telecommunications Commission is an independent statutory authority, funded by telecommunications services licence fees. Subject to the Commission maintaining a cash sufficiency, for a five year transitional period, licensing revenue is being used to pay Solomon Telekom, further to the Government's obligation to compensate that Company for the surrender in 2009, of its then exclusive telecommunications licence.*

*So far during the transitional period, which expires on 16 October 2015, all quarterly licensing revenue has been payable to Solomon Telekom and the Commission's operations have been entirely funded from World Bank grants. These grants ended on 31 March 2015.*

*This statutory notice is directed to the Accountant-General, who is responsible for the Compensation Special Fund from which the licence fee revenue is paid to Solomon Telekom. It advises that the Commission has a funding deficit, the extent of which will exceed the amount of all the licensing revenue forecast to be due in respect of the first three calendar quarters of 2015, up to the end of the transitional period.*

*The outcome from the Commission's notice is that no further licensing revenue will be available to fund the outstanding compensation amount of approximately SBD14 million which the Government still owes to Solomon Telekom.*

#### **1. Interpretation**

In this notice the terms "funding deficit", "transitional funding period", and other words and expressions which are defined in the Telecommunications Act 2009, have the meaning ascribed to them in or pursuant to the Act.

#### **2. Commencement and expiry of transitional funding period**

For the purposes of this notice and the definition of "new entrant launch date" in section 2 of the Act, which in turn is relevant to the determination under section 133(15) of the Act, of the transitional funding period, the Commission certifies that the date on which the new entrant began offering mobile telecommunications services to the public generally in Solomon Islands, was 31 August 2010.

#### **3. Notification of funding deficit**

Pursuant to section 133(4) of the Act, the Telecommunications Commission hereby gives notice to the Accountant-General Solomon Islands that the Commission has or reasonably

expects to have, a funding deficit in respect of the remainder of the transitional funding period, being the period from 1 April 2015 to 16 October 2015.

#### **4. Balance of Telecommunications Commission Special Fund**

As of 1 April 2015, the actual cash available in the Telecommunications Commission Special Fund, at the Honiara branch of ANZ Bank, stands at SBD 166,000. The reason the Commission holds so little cash, is because the World Bank grants which have sustained the Commission since 2010, expired on 31 March 2015. The terms and conditions of these grants did not permit the Commission to draw funds for the purposes of establishing cash reserves or to fund operating expenses in respect of the period after the expiry of the grants. The cash reserves of some SBD 2.6million which the Commission holds in its non-grant funds designated ANZ Bank account, has been established from non-grant, non-licence fee sources.

#### **5. Extent of cash insufficiency and extent of recourse to licence fee revenue**

Having regard to the level of Commission operating expenses since its establishment, the current cash balance in Telecommunications Commission Special Fund is demonstrably insufficient to meet the Commission's liabilities as they fall due, and to otherwise permit the Commission to perform its functions and duties and effectively exercise its statutory powers. The extent of the cash insufficiency, and the amount of licence fee revenue which the Commission will consequently require for its operations in the period up to 16 October 2015, is illustrated in the Schedule to this notice. The schedule reports the level of the Commission's operating expenses, and the level of licence fee revenue for the six previous calendar quarters. It also reports the Commission's forecasts of its expenses and the licence fee revenue for the next four quarters. In effect, the licence fee revenue which the Commission forecasts will be due in respect of the remainder of the transitional funding period, will not be sufficient to meet the Commission's forecast operating expenses during that period. The Commission will therefore need to draw on its cash reserves, in addition to using all the licence fee revenue which is forecast.

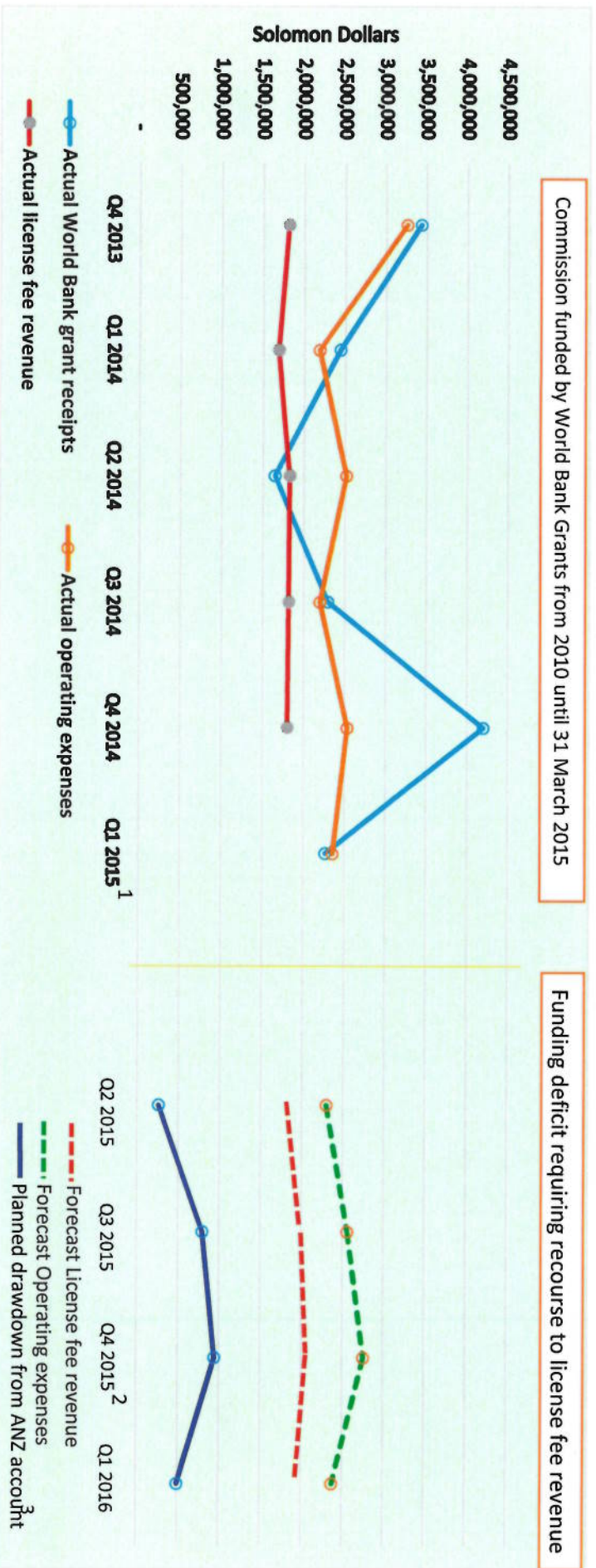
**NOTIFIED at Honiara on 1 April 2015 by the Telecommunications Commission**



**Bernard Hill**  
**Telecommunications Commissioner**

TELECOMMUNICATION ACT 2009 – SECTION 133(4)

Telecommunications Commission Funding deficit after 31 march 2015



1. World Bank funding expired at the end of calendar Q1 2015
2. The five year transitional funding period ends on 16 October 2015
3. These reserves from non-grant sources stand at SBD\$2.6m as of 1 April 2015. The Commission will need to draw on these reserves as well as using all forecast license fee revenue, to maintain operations in the period from 1 April 2015 to 16 October 2015.

Note A: The grant receipts, actual operating expenses, and actual license fee revenue are audited figures.

Note B: The forecast operating expenses and forecast license fee revenue are based on the actual figures for 2014 and earlier years.