

**ST. HELENA**  
**LEGISLATIVE COUNCIL**

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**THE SPEAKER**

Mrs Margaret Anne Catherine Hopkins MBE

**EX-OFFICIO MEMBERS**

The Honourable Chief Secretary	-	Mr Owen O’Sullivan
The Honourable Financial Secretary	-	Mr Paul Blessington
The Honourable Acting Attorney General	-	Mr Frank Wastell

**ELECTED MEMBERS**

The Honourable John Gilbert Cranfield	-	East Electoral Area
The Honourable Anthony Arthur Green	-	“ “ “
The Honourable Cyril Keith Gunnell	-	“ “ “
The Honourable Brian William Isaac	-	“ “ “
The Honourable Bernice Alicia Olsson	-	“ “ “
The Honourable Tara Thomas	-	“ “ “
The Honourable Michael Anthony Benjamin	-	West Electoral Area
The Honourable Stedson Graham Francis	-	“ “ “
The Honourable Derek Franklin Thomas	-	“ “ “
The Honourable Raymond Kenneth Williams	-	“ “ “
The Honourable Mervyn Yon	-	“ “ “

The Honourable Rodney Garth Buckley	-	(On leave overseas)
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**CLERK OF COUNCILS**

Miss Gina Benjamin

## **PROCEEDINGS OF THE LEGISLATIVE COUNCIL**

Friday, 23<sup>rd</sup> March, 2012

The Council met at 10.00 am  
in the Court House, Jamestown

(The Speaker in the Chair)

### **ORDER OF THE DAY**

**1. FORMAL ENTRY OF THE PRESIDENT**

**2. PRAYERS**

The Rt. Rev. Bishop Richard Fenwick

**3. ADDRESS BY THE PRESIDENT**

Good morning, Honourable Members and welcome to this second sitting of the twelfth meeting of Legislative Council. In view of the fact that the air conditioning is still not actually reducing the temperature in this room, I will give permission for all Honourable Members who wish to do so to remove their jackets. I see one Honourable Lady Member thinking about whether she can remove the jacket that she wears, but it appears to be a single top rather than a jacket..... Thank you. The only other thing that I'd like to say this morning is that I understand that some members of the public listening over the radio found it quite difficult to hear certain members, so perhaps you could make a conscious effort to speak very clearly into your microphones today. Thank you. Next item of business.

**4. QUESTIONS**

*Question 1. The Honourable Stedson Francis to ask the Honourable the Chief Secretary.*

The Hon. Stedson Francis –

Will the Honourable Chief Secretary say if the recruitment of staff by Basil Read to work on the Air Project is having an impact on the Public Service?

The Speaker –

Thank you, Honourable Member. The Honourable Owen O'Sullivan?

The Hon. Owen O'Sullivan –

I am glad to say that the recruitment of staff by Basil Read is having a very positive effect on the Public Service. It gives people opportunities to develop their skills and competencies and generally increases the level of skills across the island. In terms of cross fertilization of experience and skills, this can only have a beneficial effect on improving the delivery on the Public Service in the future. The Public Service currently stands at 40% of the working population; this is one of the highest in the world, if not the highest and is totally unsustainable. Opportunities in Basil Read helps this and also provides opportunities for those within the Public Service to move to jobs within which are opened up. Thank you.

The Speaker –

Next question, please?

***Question 2. The Honourable Mervyn Yon to ask the Honourable Chairman, Tourism and Leisure Committee.***

The Speaker –

The Honourable Mervyn Yon?

The Hon. Mervyn Yon –

Thank you, Madam Speaker. Madam Speaker, will the Honourable Chairman of the Tourism and Leisure Committee say what environmental and social impact studies have been carried out to assess the impact of the expected six hundred additional visitors per week when the airport becomes operational?

The Speaker –

Thank you, Honourable Member. The Honourable Bernice Olsson.

The Hon. Bernice Olsson –

Thank you, Madam Speaker. Madam Speaker, I will answer the Honourable Member's question, but I don't think it should have come to me, because this is outside of my remit, but I will give the Honourable Member an answer as far as I can.

Firstly, it is important to understand two things. The Airport Project is a continual evolving exercise and it's difficult to predict at this early stage exactly what specific impacts might be. Secondly, six hundred visitors, which is not expected until a few years after the airport is opened, is roughly the same number of visitors, including returning Saints, that are on the island over the Christmas holidays. However, as the Sustainable Economic Development Plan has highlighted, physical impact of these visitors is small against the considerable economic benefits they deliver. The potential impact of the airport has been subject to various environmental and social impact studies during the preparation and period of subsequent revisions. Madam Speaker, these include an Environment Management Plan and a Socio-Economic Report. The Environment Management Plan was updated in 2011. These studies have fallen under the remit of the Access Team and so I am not able to comment in any detail on them, although I can, of course, highlight their existence. I am aware that all these reports set out mitigation measures to which the Airport Project is closely adhering. The reports are available on the Access Project website. There are also Environmental Monitors in Basil Read, with the Project Management Unit and St. Helena Government

working closely together in this area. In respect of the tourism area, the Tourism Development Project was subject to an environmental screening note as part of the Project Memorandum. The Tourism Development Executive has worked closely with the Environment Team on the island as well as DfID to ensure environmental issues are taken into account when progressing the project and, indeed, when drawing up the Tourism Strategy. In addition, the Tourism Strategy lays out the path for tourism and development over the next five years. This strategy was the subject of the Social Impact Assessment and part of its development works and the new Environmental Management Directorate are reviewing the environmental content of the strategy. The Social Impact Assessment was undertaken in June/July 2011 and concluded that no significant negative social issues or impacts were identified during appraisal. The other main document that would be involved in this area is the Sustainable Economic Development Plan which again falls outside of my specific remit. The Sustainable Economic Development Plan is driven by the Sustainable Development Plan underpinning National Goal 1. The other National Goals which have our environmental and social themes will naturally drive their own relevant environmental and social plans which I understand are currently being drafted. These plans will naturally reflect one another as a cohesive hold. Madam Speaker, I can give every assurance that in respect of the Tourism, both the members of the Tourism and Leisure Committee and the senior staff are very sensitive to the environmental and social impacts and have developed plans to ensure that all island residents benefit from the additional visitors and that we do as little as possible to impact the assets we have that will be attracting these visitors. I am of the firm belief that our other colleagues and staff whose plans are covered by this question are of a similar mind. Any supplementaries, Madam Speaker, I think will have to be reverted to the Chief Sec because this is not my remit. Thank you, Madam Speaker.

The Speaker –

Thank you, Honourable Member. The Honourable Mervyn Yon?

The Hon. Mervyn Yon –

Thank you, Madam Speaker. I thank the Honourable Member for that report. I am very sorry if this was not under her remit, but could I ask if that report could be circulated to all Councillors for their perusal?

The Speaker –

A reply?

The Hon. Mervyn Yon –

I would like, yes, thank you.

The Speaker –

Honourable Bernice Olsson?

The Hon. Bernice Olsson –

Yes, Madam Speaker.

The Speaker –

Thank you, Honourable Member. Next question, please?

***Question 3. The Honourable Stedson Francis to ask the Honourable Chairman, Health and Social Welfare Committee.***

The Hon. Stedson Francis –

Will the Hon Chairman of the Health and Social Welfare Committee say what impact will the reprioritisation of the budget have on the operation of the Health and Social Welfare Directorate?

The Speaker –

Thank you, Honourable Member. The Honourable Cyril Gunnell?

The Hon. Cyril Gunnell –

Thank you, Madam Speaker and I thank the Honourable Member for his very important question and I will be pleased to provide answers as best I can. Looking at the wording of his question, I am assuming he is seeking assurance that the reprioritisation does not impact too harshly on services provided by the Directorate. I assume also that the reprioritisation he is referring to is that which took place during the visit of the DAPM Team. Madam Speaker, if I may, I should like to explain the process that the Directorate was required to follow from the onset of the budget preparation last August. At that time, there was a requirement to identify five percent efficiency savings. Five percent efficiency savings, Madam Speaker, represented a reduction of £182,000. £182,000 reduction. At that time, various savings were offered, such as closure of all country clinics, reduction in pest control services, reduction in the number of refuse collections in certain areas, ending or pausing home to duty transport for shift workers, head count reduction where efficiencies could be identified and ceasing Day Centre activities at the CCC. As part of the same budget exercise, the Directorate was able to make new bids for expenditure and some of the savings identified, which were related to key services, were requested for reinstatement. In December 2011, following a reprioritisation exercise, including input from elected members, I was off island at the time, some of the initial savings were reinstated, such as funds for the operation of country clinics and some new funds were also allocated, for example, £45,000 were granted for the cost of materials for the Food and Water laboratory. However, Madam Speaker, in late November last year, an Operational Business Analysis was undertaken to assist the Directorate to identify further efficiencies and possible savings of around £200,000 were highlighted by the Operational Business Analysis, which is being referred to as the 'Deep Dive'. During the DAPM visit in February this year, it became necessary for all Directorates to undertake a reprioritisation exercise to identify a further five percent savings. This had to be done very quickly to fit in with the DAPM timetable. The Health and Social Welfare Directorate was advised that they should offer the £200,000 savings that were recommended in the Operational Business Analysis, or Deep Dive report. I have to say here, Madam Speaker, that I have not been privileged to see that report as yet, and these were included in the final budget submission from the Directorate. The savings identified included energy efficiencies, staffing efficiencies, transport efficiencies, drug procurement efficiencies and service delivery efficiencies and also, Madam Speaker, possibilities of revenue raising at the same time through the disposal of assets. Madam Speaker, it is hoped that the impact of the reprioritisation will be that the Directorate will operate more efficiently through rationalization of some of its services, but this, Madam Speaker, is left to be seen. Thank you.

The Speaker –

Thank you, Honourable Member. Honourable Stedson Francis?

The Hon. Stedson Francis –

Will the Honourable Chairman say if the medical referrals allocation has been affected?

The Speaker –

Honourable Cyril Gunnell?

The Hon. Cyril Gunnell –

Madam Speaker, according to my knowledge, the budget will be cut by £74,000. I think I mentioned in answer to an earlier question that we had spent £770,000, but there is still a bit more time to go, quite possibly we have spent now over £800,000. The budget for next year will be cut by £74,000.

The Speaker –

Honourable Stedson Francis?

The Hon. Stedson Francis –

Will this mean that you will be able to send less medics away for referrals or you have to look for funding elsewhere?

The Speaker –

Honourable Cyril Gunnell?

The Hon. Cyril Gunnell –

Madam Speaker, there is some comfort knowing that in the new financial year there will be an opportunity to examine in more detail the cutbacks to the Health and Social Welfare budget to see if they are both justified and achievable. I have been assured that any fine tuning can then be undertaken through a Supplementary Appropriation at the mid-year stage.

The Speaker –

Next question, please?

***Question 4. The Honourable Mervyn Yon to ask the Honourable Chief Secretary.***

The Hon. Mervyn Yon –

Thank you, Madam Speaker. Madam Speaker, will the Honourable Chief Secretary tell this House if the reforms resulting from the MOU will meet the objectives of the Sustainable Development Plan that has been tailored to the specific circumstances of the island?

The Speaker –

Thank you, Honourable Member. The Honourable Owen O'Sullivan?

The Hon. Owen O'Sullivan –

The short answer to this question is, yes. The Sustainable Development Plan provides medium term vision for the island, which is ten years, but also focuses in on the next three years in some detail, presenting the strategic direction in the buildup to air access. The Plan focuses on improving the quality of life of present and future generations by stimulating economic and social development within the constraints of limited resources and the need to protect the environment. The Air Access/MOU Reform Programme has put in place policies

and legislation which directly support this approach to sustainable development. This is included reforming Land, Immigration and Investment policies to create a more business-friendly environment, putting in place appropriate arrangements to ensure responsible management of our environment and establishing policies and strategies to streamline and reduce the size of SHG while at the same time recognising the need to develop the labour market so that St. Helena has the necessary skills to sustain economic and social development in the future. The Honourable Member will be aware, as he was there only this week, the Land Development Control Plan was approved in Executive Council, together with the Land Disposal Policy and the Housing Strategy. All three of these documents have been through extensive public consultation and take into account not just the current needs of the island, but also future developments and both comply fully with the principles of the MOU and the SDP.

The Speaker –

Honourable Mervyn Yon?

The Hon. Mervyn Yon –

Thank you, Madam Speaker. I thank the Honourable Chief Secretary for that reply. Can I ask the Honourable Chief Secretary how will these reforms be monitored to see that they do provide what is expected of them?

The Speaker –

Honourable Owen O'Sullivan?

The Hon. Owen O'Sullivan –

The reforms will form part of the SDP and are being brought in as intrinsic and holistic facets of the SDP and the SDP is being monitored and will be monitored on a monthly basis so by implication the reforms will be monitored as well.

The Speaker –

Honourable Mervyn Yon?

The Hon. Mervyn Yon –

Thank you, Chief Secretary. Will the results of the monitoring, if it is possible, be provided to Councillors every month?

The Speaker –

Honourable Owen O'Sullivan?

The Hon. Owen O'Sullivan –

The actual monitoring, I understand that we're putting processes in place, part of these processes are Key Performance Indicators which you will have sight of within part, well, as part of the Committees, you will also, as part of the Executive Council, see monitoring as Performance Reports are being produced. I think the plan is quarterly, so the short answer to that is, yes.

The Hon. Mervyn Yon –

Thank you, Chief Secretary, thank you, Madam Speaker.

The Speaker –

Next question, please?

***Question 5. The Honourable Stedson Francis to ask the Honourable Chairman, Infrastructure and Utilities Committee.***

The Hon. Stedson Francis –

Will the Honourable Chairman of The Infrastructure and Utilities Committee give an update on the progress of the Water Project?

The Speaker –

The Honourable Mervyn Yon?

The Hon. Mervyn Yon –

Thank you, Madam Speaker, I thank the Honourable Member for his question. Madam Speaker, Honourable Members will recall that the Water Infrastructure Consultant, Fairhurst, visited St. Helena in November of last year and during that visit the Project Director, Ed Canon, made presentations on progress to both the Water Authority and an informal LegCo meeting on 11<sup>th</sup> November. At those meetings, he explained that design work was progressing well and that most of the construction works, split into twelve contracts, would be carried out during the next financial year, 2012/13. However, much has happened since then and I will describe them briefly as follows: - A visit by DfID in January 2012 concluded that a construction spend programme was ambiguous. This was because of limited resources on the island following the award of the Airport Contract and the other infrastructure projects that are also required. They suggested that a construction phase could be spread over a longer period. Following the DAPM mission in February, a revised phasing of the project for the work was agreed, spread over a five-year contract in financial year 2016/17 with one million pounds a year allocated for the next three years. This new programme will require careful prioritisation particularly following the recent water quality issues. The highest priority is to carry out deep, underground investigations and this will determine the way forward regarding available water resources. The estimated cost for this work is £296,000 and a contract has been awarded to **Suburdra** with work to start in May/June of this year, depending on suppliers being able to provide essential drilling equipment. Also, a high priority will be the refurbishment of the four Water Treatment Works across the island at an estimated cost of £1,019m including this. These Works are now reaching the end of their design lives and can no longer be expected to meet the requirements of consumers. A recent breakdown at Red Hill Water Treatment Works and the consequential problems of higher discoloured water being supplied to properties is a reminder that these refurbishments need to take place without delay. Because this specialist work requires lengthy alterations to the existing filters, the cost of this item will be spread over the next two financial years. Other vital work, such as provision of treated water to currently untreated areas of the island may take a little longer. The total funding for the Water Infrastructure Project is £6,348,000. Certain works are currently being carried out by the Water and Drainage Division to meet current restrictions and problems and to test the resources on island. These works include:- Hutts Gate to Alarm Forest Water Mains. This 150mm water mains was laid last year to overcome constraints with a smaller diameter existing water mains and removing constraints to development in the Alarm Forest area. Tenders have recently been invited to complete the final section of this work to the new development in Alarm Forest and this will allow a future extension to Bunkers Hill if development takes place in this area. New water mains in Sapper Way. Existing water mains in Sapper Way needed to be replaced and the opportunity is being taken to increase the size of these pipes to allow for future growth and development.



Whilst extending treated water to the Blue Hill area is now likely to be delayed, additional development has been allowed in the Head O'Wain area removing a penal constraint that has been in place for several years. If existing pipes cannot cope with this increasing demand, consideration will be given to providing localized improvements. Also, tenders are recently invited for new pipeline materials; however, only one tender was received with one of the three tenders failing to receive a document. The tender period is now extended to allow for more competitive bids. Thank you, Madam Speaker.

The Speaker –

Thank you, Honourable Member. Honourable Stedson Francis?

The Hon. Stedson Francis –

With only a few days remaining in this financial year, would the Honourable Chairman say if the Works Programme for this year has been completed and how much of the Project funding allocated for this year has been spent?

The Speaker –

Honourable Mervyn Yon?

The Hon. Mervyn Yon –

Madam Speaker, I'm sorry, I just can't give that answer right off the top of my head, but if the Honourable Member will accept, I will ask to have it given to him in writing.

The Speaker –

Honourable Stedson Francis?

The Hon. Stedson Francis –

Could the Honourable Chairman say how many new consumers have been connected to the distribution system as a result of the Water Project?

The Speaker –

Honourable Mervyn Yon?

The Hon. Mervyn Yon –

Again, Madam Speaker, I think I'll need to call on my Director for some advice here, if we may?

The Speaker –

Honourable Mervyn Yon?

The Hon. Mervyn Yon –

The project does not make provision for any new consumers at the moment, Madam Speaker, but if it's needed, the Director can give a number that has been from the old Treatment, but nothing from the newly-funded Project.

The Speaker –

Honourable Stedson Francis?

The Hon. Stedson Francis –

Would the Honourable Chairman confirm that he said that it's the intention to connect consumers in Alarm Forest to the new system?

The Hon. Mervyn Yon –

Sorry, I didn't get the question, Madam Speaker, could the Honourable Member be kind enough to repeat, please?

The Speaker –

Honourable Stedson Francis?

The Hon. Stedson Francis –

Could you confirm that you said earlier that new consumers in the Alarm Forest would be connected to the new distribution system?

The Speaker –

Honourable Mervyn Yon?

The Hon. Mervyn Yon –

Thank you, Madam Speaker. Yes, I did say that, Madam Speaker. The new consumers will be connected to the line that, the new homes that are built in the bottom of Alarm Forest, Sir.

The Speaker –

Thank you.

The Hon. Stedson Francis –

Can I ask why weren't they connected on the completion of the main line from Hutts Gate to Alarm Forest?

The Speaker –

Honourable Mervyn Yon?

The Hon. Mervyn Yon –

Did you ask why they were connected?

The Speaker –

No, why they were not connected.

The Hon. Mervyn Yon –

Because at that time it was not contractable.

The Speaker –

Honourable Stedson Francis?

The Hon. Stedson Francis –

Can I ask why weren't contracts agreed during the construction of the main line so there would be no hold up?

The Speaker –

Honourable Mervyn Yon?

The Hon. Mervyn Yon –

From what I understand, Madam Speaker, this was agreed to be done in phases.

The Speaker –

Honourable Bernice Olsson?

The Hon. Bernice Olsson –

Thank you, Madam Speaker. Will the Honourable Member tell this House what happened to the project to bring water from Levelwood to Hutts Gate?

The Speaker –

Honourable Mervyn Yon?

The Hon. Mervyn Yon –

I've been told, Madam Speaker, that there was a different route found which was cheaper to operate.

The Hon. Bernice Olsson –

Madam Speaker, can I just ask what route that is?

The Speaker –

Honourable Mervyn Yon?

The Hon. Mervyn Yon –

Madam Speaker, would the Honourable Member be happy if we respond to that answer in writing?

The Hon. Bernice Olsson –

Yes, I will, Madam Speaker, and also I would like to know what cost implications there was and I've got another .....

The Speaker –

One question at a time, thank you. You'd like to have the cost implications of the change of route, is that right? Honourable Mervyn Yon?

The Hon. Mervyn Yon –

That shouldn't be any problem, Madam Speaker.

The Speaker –

Thank you, Honourable Member. Honourable Bernice Olsson?

The Hon. Bernice Olsson –

Thank you, Madam Speaker. Will the Honourable Member tell this House how much of the Water Project funding has been spent and do we have sufficient funding to complete the project?

The Speaker –

Honourable Mervyn Yon?

The Hon. Mervyn Yon –

In excess, Madam Speaker, of £1m has been used and we do have enough funding to complete the project.

The Speaker –  
Honourable Bernice Olsson?

The Hon. Bernice Olsson –  
Will the Honourable Member tell this House will the public be given a rebate on the dirty water they have.....

The Speaker –  
Honourable Member, that is, regrettably, nothing to do with the original question and I cannot allow it, I'm sorry.

The Hon. Bernice Olsson –  
Thank you, Madam Speaker.

The Hon. Mervyn Yon –  
Thank you, Madam Speaker, I was going to raise on a point of information also.

The Speaker –  
The Honourable Stedson Francis.

The Hon. Stedson Francis –  
One final question, Madam Speaker, why is it necessary to do an underground investigation when we had a qualified Geologist investigate the groundwater supplies over the island some years ago and I believe it is already recorded on the GIS system and also got contacts in South Africa who advised us of the water underground system?

The Speaker –  
Honourable Mervyn Yon?

The Hon. Mervyn Yon –  
From my knowledge, I understand, Madam Speaker, that the Department has intent to go down into deeper drilling to enable to see if there is more water, that is the reason for new drilling to take place.

The Speaker –  
Next question, please?

***Question 6. The Honourable Mervyn Yon to ask the Honourable Chief Secretary.***

The Hon. Mervyn Yon –  
Thank you, Madam Speaker. Madam Speaker, will the Honourable Chief Secretary provide an explanation as to why the new organisation envisaged under the Economic Development Plan need twenty-five personnel when other Directorates have to reduce their head count?

The Speaker –  
Thank you, Honourable Member. The Honourable Owen O'Sullivan?

The Hon. Owen O'Sullivan –

Thank you. In December, 2010, elected members, on behalf of St. Helena, agreed to implement the reforms needed to open the island's economy to inward investment and increase tourism. The Air Access MOU sets out the steps which St. Helena needed to take to create the associated economic environment to establish and grow a tourism-based sustainable economy. With the successful signing of the Airport Contract last year, it is imperative that work starts now to ensure that we're ready to do business by the time the airport is operational by the end of 2015. At the moment, St. Helena does not have in place the appropriate institutional arrangements to be able to do this. Enterprise St. Helena, as set out in the Economic Development Plan, combines existing posts in Tourism and the St. Helena Development Agency with an additional six posts which currently do not exist. Since the 2007 Development Aid Planning Mission, it has been the intention that SHG would need to reduce head count in expectation that Private Sector head count would increase. I refer back to my previous answer where the Public Sector employs 40% of all the working population and, you know, that cannot continue. Given that economic development is seen as St. Helena's top priority and is articulated as such in the SDP, six additional posts can hardly be seen as excessive in the overall strategic vision. I would also remind Honourable Members that responsibility and accountability for economic development lies with the Chief Executive, Economic Development so detailed questions about Enterprise St. Helena will be better directed when you plan to meet him next Tuesday. Thank you.

The Speaker –

Honourable Mervyn Yon?

The Hon. Mervyn Yon –

I thank the Chief Secretary for that, Madam Speaker. Madam Speaker, can it be justified the need to have that many people working within the EDP?

The Speaker –

Honourable Owen O'Sullivan?

The Hon. Owen O'Sullivan –

I think I mentioned in my answer that it's six people and it's the number one priority in the SDP. I mean, it's a judgement, but I think six people is not viewed as excessive. Thank you.

The Speaker –

Honourable Mervyn Yon?

The Hon. Mervyn Yon –

Thank you, Madam Speaker. Are these six new engagements or are they six redeployments?

The Speaker –

Honourable Owen O'Sullivan?

The Hon. Owen O'Sullivan –

I understand that they're new engagements, but the actual details of who they are, what they do, I would ask that you refer to the Chief Executive, Economic Development because I don't have anything to do with those appointments.

The Speaker –

Honourable Mervyn Yon?

The Hon. Mervyn Yon –

Thank you for that, Madam Speaker. Madam Speaker, how will the performance of the EDP be monitored and by whom?

The Hon. Owen O'Sullivan –

We are currently working on the accountability and responsibility and governance arrangements for this and this is work in progress and as soon as we come to some agreement, I am sure that Honourable Members will be informed of the mechanisms for this.

The Hon. Mervyn Yon –

Madam Speaker, is it true to say that the EDP will consist of three Directors, together with a Board of Directors and a Chief Executive within that section, together with other key posts?

The Speaker –

Honourable Owen O'Sullivan?

The Hon. Owen O'Sullivan –

I think the detailed questions about the manning of that organisation are better directed to Julian Morris, Chief Executive, who you're meeting on Tuesday.

The Speaker –

The Honourable Cyril Gunnell?

The Hon. Cyril Gunnell –

Thank you, Madam Speaker. The Honourable Chief Secretary is not able to answer some of the supplementary questions that have been asked, but I was wondering whether he would be able to answer the question with regard to how much the six posts will cost and where they would be funded from?

The Speaker –

Honourable Owen O'Sullivan?

The Hon. Owen O'Sullivan –

I wouldn't be able to answer that. In the reprioritisation, a budget has been provided to do the Chief Executive, Economic Development and how he spends that is for his organisation to decide and he will then be held responsible and accountable for the outcomes of that spending.

The Speaker –

Honourable Derek Thomas?

The Hon. Derek Thomas –

Thank you, Madam Speaker. Can the Honourable Chief Secretary say that economic development is the Government's key priority and six different new posts will be in place, will the six new posts contain a local counterpart to the Chief Executive for Economic Development?

The Speaker –

The Honourable Owen O'Sullivan?

The Hon. Owen O'Sullivan –

I can't answer these detailed questions. I've already made it clear that unfortunately I don't have any oversight of the mechanics of Enterprise St. Helena, it is the responsibility and accountability of the Chief Executive, Economic Development. I believe you are meeting him on Tuesday and that would be the appropriate time to discuss those particular things. I would just make the point that the Sustainable Development Plan is the island's plan and there was consultation with a number of people, so economic development is the island's priority, not just Government's.

The Speaker –

Honourable Mervyn Yon?

The Hon. Mervyn Yon –

Madam Speaker, will the EDP be answerable to any Committee and if so what Committee?

The Speaker –

Honourable Owen O'Sullivan? The Honourable Tara Thomas?

The Hon. Tara Thomas –

Madam Speaker, just on a point of information, the Economy and Finance Committee has oversight for St. Helena's Fiscal and Economic policies. It will be the role of the economic development organisation named Enterprise St. Helena to implement the policies that are set by St. Helena Government and the monitoring and oversight of that function, as happens now with the St. Helena Development Agency, will rest with the Economy and Finance Committee.

The Speaker –

Thank you. Honourable Mervyn Yon?

The Hon. Mervyn Yon –

Madam Speaker, will the results of the monitoring be given to all elected members?

The Speaker –

Honourable Tara Thomas?

The Hon. Tara Thomas –

Yes, Madam Speaker. At the moment, the St. Helena Development Agency is funded partly by SHG and also by DfID. At the moment, the Directorate for Corporate Procurement provide the monitoring function for the SHDA projects and at present that quarterly report is circulated to elected members and we will, of course, endeavour to continue to do that.

The Speaker –

Thank you. Honourable Cyril Gunnell?

The Hon. Cyril Gunnell –

Madam Speaker, I just rise on a point of order.

The Speaker –

No, a point of information.

The Hon., Cyril Gunnell –

A point of information. The thing is, Madam Speaker, when we come here, we are supposed to do our homework and be prepared to answer any supplementary questions. Now, I trust that if these sort of questions that have been asked of the Honourable Chief Secretary today, if they are asked some time in the future, that answers will be given. Thank you, Madam Speaker.

The Speaker –

I think the Honourable Chief Secretary has already made it clear he has answered, but the responsibilities lie elsewhere.

The Hon. Owen O'Sullivan –

Yes, I would just like to point out, in the answer I did make it clear that the details and accountability and responsibilities for the Chief Executive, Economic Development and that you'll be meeting on Tuesday so you'll have an opportunity to speak with him about the detailed operations of economic development and his plans.

The Speaker –

The Honourable Cyril Gunnell?

The Hon. Cyril Gunnell –

Yes, on another point, Madam Speaker. It would be useful if someone is able to answer questions in this Honourable House. Thank you, Madam Speaker.

The Speaker –

Thank you. Honourable Mervyn Yon?

The Hon. Mervyn Yon –

Madam Speaker, what I heard Tourism and SHDA to be amalgamated into the EDP, will the funding that is within those two sections now be transferred over to the EDP?

The Speaker –

Honourable Chief Secretary?

The Hon. Owen O'Sullivan –

Sorry, I don't actually understand the question, can you repeat it?

The Hon. Mervyn Yon –

I think I made a mistake, it supposed to have been the SDP, the funding.

The Speaker –

I think you need to clarify your question, Honourable Member and could you use the microphone because.....

The Hon. Mervyn Yon –

Madam Speaker, I'm made to understand that the Tourism and SHDA will be part of the SDP.....



The Speaker –

Part of Enterprise St. Helena and the Honourable Member was asking if the budgets currently held within Tourism and SHDA will transfer with them to the new Enterprise St. Helena?

The Hon. Owen O'Sullivan –

Yes, they will.

The Speaker –

Thank you.

The Hon. Mervyn Yon –

Thank you.

The Speaker –

The Honourable Tony Green?

The Hon. Anthony Green –

Thank you, Madam Speaker. If questions can't be answered in this House, how can LegCo address issues in this House which are of public interest regarding economic development?

The Speaker –

I'm not sure if you're asking me that as Speaker or the Honourable Chief Secretary.

The Hon. Owen O'Sullivan –

As I mentioned earlier, the governance arrangements for this organisation are currently being drawn up and part of that will be the accountability and responsibility and reporting. This is a work in progress and so I am sure that part of the governance arrangements will have to include that. Thank you.

The Speaker –

The Honourable Tony Green?

The Hon. Anthony Green –

Madam Speaker, may I ask then that if it's work in progress that progress be made to ensure that in future questions in this House can be addressed?

The Speaker –

Thank you, Honourable Member. Honourable Owen O'Sullivan?

The Hon. Owen O'Sullivan –

I think that it is obvious that if there are actual detailed questions about Enterprise St. Helena that the CEED has to be invited to answer that question.

The Speaker –

Next item of business, please?

The Hon. Owen O'Sullivan –

5.

## MOTIONS

*Motion 1. The Honourable Financial Secretary.*

### THE PENSIONS BILL, 2012

The Hon. Paul Blessington –

Madam Speaker, I beg to move that the Pensions Bill, 2012, be approved in principle and referred to a Committee of the whole Council.

The Speaker –

Thank you, Honourable Member. Is there a seconder? The Honourable Tara Thomas?

The Hon. Tara Thomas –

Thank you, Madam Speaker, I beg to second.

The Speaker –

Thank you. Honourable Mover?

The Hon. Paul Blessington –

Madam Speaker, I refer to a Bill for an Ordinance to review the provisions relating to the grant of pensions, gratuities and other allowances in respect of officers held in the Public Service in St. Helena.

Madam Speaker, Honourable Members, this Bill refers specifically to the pensions of members of the Public Service, but its implications are relevant to the entire island, because it is the entire island and the taxpayers on the island who foot the bill for Public Service pensions. Honourable Members will recall that two years ago we started on the first phase of pension reform. That first phase of pension reform was designed to make the future Public Service pensions on this island more affordable in the future and it involved closing of the existing Defined Benefit Pension Scheme to new joiners and the opening of a contributory defined contribution scheme, so since April 2010 all .....the majority at the moment of public servants still in either the defined benefits scheme, which is an unfunded scheme, or the former unestablished who remained as non pensionable officers and it is to reform that scheme for those people that this Bill applies.

Madam Speaker, you may ask why is it necessary to introduce a Bill to reform public service pensions and I would like to say that there are two major reasons why that is the case. The first reason is that the long-term financial stability of the island depends on being able to continue to afford to pay the pensions for public servants who make up around 50% of the entire island workforce. Now, for historical reasons, a scheme was put in place for which no provision was made for the payment of those pensions other than to take it from the revenue of the day raised in each year by taxpayers, so there was no separate pension pot created. That problem has been rectified with the new scheme where each individual public servant under the defined contribution scheme will have money being contributed year by year to pay for their pensions when they retire, but for those public servants who are on the defined benefit scheme they accrue right to a pension year by year but there is no money or provision made to pay for them other than out of taxation for the years when they are retired. That is creating a bigger and bigger problem for this island, because of the large number of public

servants and the fact that people are living longer, so what might have been an affordable scheme twenty or thirty years ago is becoming increasingly less and less affordable. The Callum Report of 2007 suggested that the future answer was to move, not just for Public Service, but the entire island on to a contributory pension scheme. This Pensions Ordinance is Step 2 in what I see as being a three-phase process. We've started the process with closing the scheme to new joiners in 2010, this step is to try to make the existing scheme more affordable and what I see as the third phase of pension reform will be when we set up the arrangements for all workers on the island to be able to contribute each year to an individual pension pot that will provide for their pensions in retirement.

Madam Speaker, what does this Bill actually do to try and address the affordability issues with regard to public servants on the Defined Benefit Scheme? There are two major changes that are included in this Bill. The first major change is that the pension age, the age at which people will normally retire is going to progressively increase from the current age sixty to age sixty-five, but this will happen over a ten-year process starting in 2014 and going in six-month increments each year through till 2023 when the normal retirement age for all public servants will become sixty-five. Those people who are caught in the age band affected, will find that their pensionable age will be somewhere between sixty and sixty-five depending on their date of birth, so some people will retire at sixty and a half, some at sixty-one, etc. By making the retirement age later, Madam Speaker, it means that there are fewer people receiving a pension at any given time and consequently there are going to be a larger number of people in the workforce paying taxes and contributing to those pensions, so we get a double benefit by doing that. The second way that this Pension Ordinance will change and make it cheaper to provide pensions in future is to change what we call the accrual rate. That is the rate at which people earn a pension. At the moment, that rate is one six hundredth of your final salary for each month you work. That means that after thirty-three and a third years work you're entitled to two-thirds of your final salary. We're changing that accrual rate from one six hundredth to one eight hundredth per month, which will mean that you will need to work for forty-four point four years rather than thirty-three point three years in order to achieve a two-thirds final pension. Now that should not be a significant problem because if you look at the average working life, somebody starting work at age twenty and retiring at age sixty-five, will have had an opportunity to work for forty-five years, so if they put in forty-five years service with SHG they will be able to retire on a full two-thirds of final pension salary so the size of pensions that people will receive as a result of this Bill will not change; they will still be able to retire at normal retirement age at a full two-thirds of final salary pension.

Madam Speaker, there has been some concerns raised during the consultation with staff about the implications of raising the retirement age from sixty to sixty-five. Some of those concerns were that people legitimately had plans to retire at sixty, maybe to set up a business or to do other things, and they were concerned that these changes in the rules would disadvantage them. So, Madam Speaker, there have been safeguards built in to this Bill which will still enable people to retire at sixty or at any age between sixty and their normal retirement age should they so wish, but if you do choose to retire early it's only reasonable that you should receive a smaller pension, a reduced pension to compensate for the fact that you'd be drawing your pension for more years, so this Bill incorporates a discount of 6% per year for each year that you retire early. So, for example, if your retirement age had risen to sixty-one and you chose to retire at age sixty you would get a pension of 94% of your full pension but you would get it for an extra year.

There was also some concerns, Madam Speaker, that staff who had already earned their full two-thirds entitlement to a pension could be disadvantaged because they, by working the extra up to five years, would not be able to incur any great percentage of final salary because

they already hit the two-thirds maximum and so the Government is offering a guarantee to those people that whatever pension rights they have earned as of 31<sup>st</sup> March 2012, which is when this new Bill will become law, those pension rights will be preserved and so should they wish to leave at age sixty they can do so guaranteed that whatever pension rights they'd have accumulated from age sixty at 31<sup>st</sup> March 2012 they will still be eligible to draw that, We will never pay less than the rights that they've accumulated up to now, so that safeguard, Madam Speaker, did take away the majority of the concerns that staff expressed about this Bill.

There are a number of other changes that the Bill brings in, but I'll only concentrate on the main ones and these are generally positive changes. One of the major improvements that the Bill makes is to those staff who choose to leave SHG early, before they reach retirement age, maybe to go for a better job or to work overseas, and the arrangements there have traditionally been that you could freeze your pension rights. That meant that if you've worked for SHG, say, for twenty years, whatever your salary was when you left you would have twenty year's worth of contributions as a proportion of that salary. Now, the problem, Madam Speaker, with that was, let's say you retired or left SHG at age forty and had to wait until age sixty or maybe now sixty-five until you could draw your pension, the salary on which your pension was based was that that you were earning at age forty and you wouldn't get any adjustments for inflation in the intervening twenty years. That meant that if inflation was running at a high rate your pension could be worth much less when you came to draw it than it was when you left the service, so a major improvement that this Bill makes is that it allows for cost of living adjustments to be made to the frozen pensions of any staff that leave SHG voluntarily. And so that will make it much easier for staff who've earned a right to a pension, that is those with ten years or more service, to safely apply for jobs elsewhere in the knowledge that their pension rights are protected and they will still have a worthwhile pension on retirement.

There've been a number of other minor changes to the Pensions system which also will improve things for people. These include ensuring that women who took a marriage gratuity and were therefore no longer entitled to get a pension, any service that a woman who has taken a marriage gratuity does, on returning to SHG after taking that gratuity, those years will count towards giving her a pension. There's also been some changes to remove any sex discrimination from the Pensions Ordinance. In the past, the Ordinance reflected the fact that the male was considered to be the breadwinner in the family and if a man was killed or injured and had to leave the service their widow would receive a pension, but, of course, the reality is that in many instances now it's the female who is the major breadwinner in a household, so the Ordinance has been changed to reflect the fact that should a woman be so unfortunate as to die in service as a cause of a work-related incident that her widower will also be eligible to draw a benefit.

Madam Speaker, there's one further thing that I should mention, although not directly included in this Ordinance, will be of great interest to members of the SHG workforce and that is to do with the former unestablished staff, now known as non pensionable staff in SHG. Those staff will be offered the opportunity to join the Defined Benefit Pension Scheme once they have achieved ten years or more of service in SHG and therefore will be able to get the same benefits that the members of the Defined Benefit Pension Scheme get and we will be moving to put that into operation very quickly after 1<sup>st</sup> April. So, in conclusion, Madam Speaker, this is a very important Bill because it takes a very important step to secure the long-term financial future of the island and at the same time protecting the pension rights of members of SHG. I therefore commend it to Councillors, Madam Speaker, and I beg to move.

The Speaker –

Thank you, Honourable Member. Honourable Members, I think this could be a convenient moment to take a short break. I intend, therefore, to suspend the sitting until twenty past eleven. Thank you.

**Council suspended.**

**Council resumed.**

The Speaker –

Next item of business.

## **THE PENSIONS BILL, 2012**

**Resumed debate.**

The Speaker –

I put the question that the Pensions Bill, 2012, be approved in principle and referred to a Committee of the whole Council. The question is open for debate. Does any Honourable Member wish to speak? The Honourable Tara Thomas.

The Hon. Tara Thomas –

Thank you, Madam Speaker. I rise in support of this Bill. St. Helena's existing Pensions Ordinance, which applies, as the Honourable Financial Secretary indicated, applies to St. Helena Government employees only and dates back to 1967 when the size of the Public Service was much smaller. Government is now, and has been for a while, the biggest employer on the island. The current Pension Scheme, which is a very generous scheme, is set to place an increasing strain on Government finances in future years. Increased strain on Government finances means an increased strain on St. Helena's taxpayers. Madam Speaker, any changes to staff terms and conditions can be emotive and must be handled sensitively. We had to accept that this form might not be welcomed by staff, but set out to ensure that employees understood why it was necessary to ensure that St. Helena Government's Pensions Scheme is one more sustainable, fair and does not act as a deterrent for staff to join the business community. Following the consultation exercises, a survey was undertaken to measure the level of understanding that was had by staff following the workshops hosted by the Finance Directorate. The Economy and Finance Committee were particularly pleased to learn of the levels of understanding indicated by SHG staff. Pensions is not an easily understood topic and we should acknowledge all of SHG's employees who made the effort to participate in the consultation workshops. As the Honourable Financial Secretary mentioned in his opening remarks, there are a number of areas that raise concerns with Members and staff. Following the consultation, there are a number of significant changes and some of the most notable of these are:- protecting the pension rights already earned by staff members; allowing non pensionable staff with more than ten years of service the option to become pensionable; both welcomed amendments by both staff and this Council. On increasing the retirement age to sixty-five, last year when we introduced the Basic Island Pension, we also regarded at this time that the retirement age on St. Helena should be sixty-five. Madam Speaker, it is in the island's interest to encourage our citizens to remain economically active and participate in St. Helena's economic activities. As the Financial Secretary indicated in

his introduction, these changes all take us a step closer to our goal of an island-wide pension scheme, which the Economy and Finance Committee has set as a priority for the next financial year, Madam Speaker. Madam Speaker, I can only offer my full support to this Bill. Thank you.

The Speaker –

Thank you, Honourable Member. The Honourable Derek Thomas?

The Hon. Derek Thomas –

Thank you, Madam Speaker. I rise in support of the Pensions Bill. The Bill is the second part of reforming the Pension Scheme. The changes are designed to ensure that SHG can afford to pay a decent level of pension to staff on retirement without placing a massive burden on future taxpayers. As can be expected, SHG staff has been very concerned about their pension entitlements and from what I can now see the changes have taken into account the majority of concerns. A major concern was those employees who were previously unestablished with ten or more years service. They will now be offered the opportunity to join the established pension scheme commencing from 1<sup>st</sup> April 2012. It was very pleasing and reassuring to hear the Financial Secretary say this. In bringing in this Bill, staff will still have the opportunity to retire on up to two thirds of their full pay if they worked a full career for SHG, the only difference being they will now have to work slightly longer. Madam Speaker, the third step of this scheme is to introduce an island-wide Contribution Pension Scheme. Such a scheme can only add value to the development of private sector economic growth. I understand that work will be commencing soon on how to progress this scheme. I sincerely trust that we will have this scheme of an island-wide pension up and running before the opening of our airport. Madam Speaker, I fully support the Bill.

The Speaker –

Thank you, Honourable Member. The Honourable Brian Isaac?

The Hon. Brian Isaac –

Madam Speaker, I rise in support of the Bill before the House today. I would just like to say that elected members have been very much involved with the process that lead to the Bill being tabled today, members of the Public Service have been involved, public consultation has also been conducted and all I would like to say is that I hope that this Bill will have a smooth passage through the House today and much of the details will be in the debate when we debate the Bill later. Thank you, Madam Speaker.

The Speaker –

Thank you, Honourable Member. The Honourable Cyril Gunnell?

The Hon. Cyril Gunnell –

Thank you, Madam Speaker, I rise to support the Bill, although I do appreciate that there are some concerns. But, Madam Speaker, I sometimes, you know, get a Motion approved in this House and in 2006 I asked that St. Helena does move towards a National Pension Scheme and lo and behold in 2007 we had Mr Callum come out and his report said that we should move to an island-wide pension scheme, but at that time, of course, it was unaffordable and so we move on. One reason for asking for a National Pension Scheme, an island-wide pension scheme, Madam Speaker, is because people who did not get a pension and who still do not get a pension are paying for the pension of somebody who has been getting it uncontributed and that was the reason for asking that we have a better system in place so that

all people would be entitled to a pension scheme and therefore an island-wide pension scheme and from what I have been hearing it ought to start rolling in from next year, I'm very pleased about that. What I would like to see, Madam Speaker, as we do progress into island-wide pension scheme is that the right to move from one employment to another and still keep that pension, portable pension I think it is called, so that people are not discouraged then, they are encouraged to move about, so, in other words, if there is another company that has a pension scheme then the person can move along to that other pension scheme and their rights would be protected. Madam Speaker, thank you very much.

The Speaker –

Thank you. The Honourable Tony Green?

The Hon. Anthony Green –

Madam Speaker, I can support this Bill. The Bill can be seen as part of an overall pension reform and as mentioned by the Honourable Financial Secretary before, we already have in place a Defined Contribution Pension Scheme for staff who joined from 1<sup>st</sup> April 2010. This Bill before us today deals with the staff that was pensionable before 1<sup>st</sup> April 2012. The Bill, as we heard, is intended over time to reduce the Pensions Bill by gradually increasing the retirement age of the relevant staff members over from sixty to sixty-five, say, over the next eleven years. Last year, Staff and Councillors had many concerns over parts of the Bill, but I think that following consultations and discussions this Bill now, from the point of view of staff issues that were raised, is as good as we could expect; I have heard nothing to suggest otherwise. The second intention of the Bill, according to a Press Release last October, is to make it easier for staff to move to the Private Sector. This would be achieved by staff that leave Government and freeze their pension after ten years, will now qualify for the cost of living increases; this was also mentioned by the Honourable Financial Secretary this morning. The Honourable Financial Secretary also mentioned that one reason for change is affordability, so it will be good to be reassured that slowly reducing costs by gradually increasing the retiring age but at the same time increasing costs by awarding cost of living increases for staff who leave and bearing in mind that for staff who are on the Defined Contribution Scheme Government makes a 15% contribution for each person's pensionable salary, plus we now have a Basic Island Pension Scheme in place, that whether, put all together, the Financial Secretary is really confident that we will save money. It was good to hear about the proposals for the non pensionable staff, so overall, from a staff perspective, good. As to how the proposals will actually reduce the pensions bill, well I've just commented that incentivising staff with ten years of pensionable service is good, but let's hope it doesn't mean that the delivery of essential services will be seriously affected by the potential loss of experienced members of staff. Against that, we heard this morning from the Honourable Chief Secretary that staff leaving for Basil Read has had a positive effect. Finally, Madam Speaker, I see that the explanatory note at the back simply says "the purpose of the Ordinance is to review the Pensions Ordinance". I don't think that is adequate. Apart from these reflections, Madam Speaker, I support the Bill.

The Speaker –

Thank you, Honourable Member. Does any other Honourable Member wish to speak to the Motion? In which case, I will invite the Honourable Mover to respond to the debate?

The Hon. Paul Blessington –

Madam Speaker, I would like to thank Honourable Members for their support for this very important Bill. I would just like to pick up on one or two of the points that were raised by

Members. One of the issues that was raised, I think by Councillor Gunnell, was to try and change the situation where some people who don't contribute to a pension scheme end up receiving a pension paid for by others who don't get a pension. Unfortunately, under the original setting up of the SHG Defined Benefits Scheme, it was a non-contributory scheme and although we did have discussions with DfID to see whether they would be prepared to fund us moving staff across on to the Defined Contribution Scheme, all of those staff that were originally on the unfunded Defined Benefits Scheme, DfID declined to do so. So what we are doing here is at least acknowledging that whilst staff have a non-contributory scheme, the costs and terms of that scheme are being changed to make sure that it is more affordable to those taxpayers who will be footing the bill in the future. You also mentioned portability of pensions and, indeed, that is a very important aim of the scheme. Part of this Bill, which gives a cost of living adjustment to staff who leave, will make it easier for those staff to go and join other firms, but in particular, portability of pensions ought to mean that anybody can move from private sector to public sector or from firm to firm in the knowledge that their pension is building up over time. The issue of portability will be at the forefront of deliberations to create an island-wide contributory pension scheme and I would see, once we have an island-wide contributory scheme in place then the Basic Island Pension, which is also a non-contributory state pension at the moment, will fall back to being a backup for those people, who, through no fault of their own, have been unable to contribute over their working lifetime to their own pension pot so that it will become the backup scheme rather than the default major scheme. I'd also like to turn now to the comment made by Councillor Green about will all these changes at the end of the day save money. I cannot categorically say that at the end of the day these changes will save money because one way or the other somebody has to pay when you are providing a pension, so whether it is the individuals contributing towards their own pension pot, their employers contributing towards it or the taxpayer contributing towards pensions, one way or another, there is a cost and it has to be paid. What this Bill will, however, do is by raising the retirement age, it will certainly reduce the number of pensioners receiving a pension at any point in time and it will mean that there are more taxpayers out there contributing, so the burden is spread over a larger base of people who pay and our calculations suggest that the cost of an SHG pension as a result of these reforms will fall from currently around 30% on top of salary to less than 20%, 17 or 18% is our estimate, but we are having actuarial advice to provide us with greater detail over what the size of the pension liability will be and what its cost as an annual rate on top of salary is equivalent to. So Madam Speaker, I would like at this point to say that I hope those points fully addressed the issues raised by Members. Thank you.

The Speaker –

Thank you, Honourable Member.

Question that the Bill is approved in principle and referred to a Committee of the whole Council, put and agreed to.

The Hon. Paul Blessington –

Madam Speaker, I beg to move that Council do resolve itself into a Committee to consider the detailed provisions of the Bill.

The Speaker –

Thank you, Honourable Member. Is there a seconder?

The Hon. Tara Thomas –



Madam Speaker, I beg to second.

The Speaker –  
Thank you, Madam.

Question that the Council resolves itself into a Committee, put and agreed to.

**Council in Committee.**

The Speaker –  
I'd like to invite Mr Tony Kilner to join us at the table.

Mr Tony Kilner –  
Thank you.

The Speaker –  
I put the question that the Title, Enacting Clause and Clause 1 do stand part of the Bill. Does any Honourable Member wish to speak?

Title, Enacting Clause and Clause 1.

Question put and agreed to.

The Speaker –  
I put the question that Clause 2 do stand part of the Bill, that's the Interpretation Clause.

Mr Tony Kilner –  
So the Interpretation Clause defines, among other things, the normal retirement age so that moves gradually from the age of 60 to the age of 65. It also sets a number of other definitions so, for example, in the definition for pensionable and non pensionable office has changed to make clear the different.....depending on what job they were doing after 1<sup>st</sup> April 2010. The definition of pensionable emoluments of salary have changed so that contracts can set out what remuneration is pensionable and what remuneration is not pensionable. The definition of pensionable emoluments is also changed so that part-time staff benefits will .....salary and other definitions and subsections (2) and (3) are deleted or changed because they are obviously or because they relate to service to other governments of the British Empire.

The Speaker –  
Are there any questions from members about the Interpretation Clause?

The Hon. Tara Thomas –  
Madam Speaker, can we just have an explanation on the house allowance definition?

Mr Tony Kilner –  
So the house allowance, the definition is not changed from the previous Ordinance. What the Ordinance sets out is the value attributed to essential services to note the benefit the employee being provided to the house, so if a member of SHG staff, part of their job is provided with free accommodation, then while they're working they get the free

accommodation, but for the purpose of calculating their pension, there is a value .....so it will also increase their pension, if you like, including .....

The Hon. Tara Thomas –

So the percentage doesn't .....apply to the salary it also applies to that benefit?

Mr Tony Kilner –

Yes.

The Hon. Tara Thomas –

Thank you, Madam Speaker.

Clause 2.

Question put and agreed to.

The Speaker –

I put the question that Clauses 3, 4 and 5 do stand part of the Bill.

Mr Tony Kilner –

These sections cover regulations, charging pension costs directly over revenue to St. Helena and the withholding of benefit by the Governor, especially in .....misconduct. The provisions are unchanged from the current Ordinance.

The Speaker –

Any questions, Honourable Members?

Clauses 3, 4 and 5.

Question put and agreed to.

The Speaker –

I put the question that Clause 6 do stand part of the Bill.

Mr Tony Kilner –

Clause 6 sets out the circumstances in which a pension may be granted to somebody who is leaving SHG employment. It's been substantially rewritten to what's in the current Ordinance.

The Speaker –

Any questions, Honourable Members?

The Hon. Mervyn Yon –

Just to say, Madam Speaker, I asked this once before in the House, that when bringing the new Bill to the table, it would be advantageous if we had sight of the old one to compare what amendments or alterations have been made. I asked this once before, Madam Speaker. I would like to have something to compare the changes and that's something we don't have so therefore we just have to accept what we are told that's going through the House now.

The Speaker –

Well, do you want to.....

Mr Tony Kilner –

Well, a version of the Bill set out in that fashion was made available for public consultation and was issued with the ExCo Memo and all members would have had sight of in advance of the Executive Council meeting on 28<sup>th</sup> February.

The Speaker –

Any other questions on Clause 6?

Clause 6.

Question put and agreed to.

The Speaker –

Could Honourable Members make sure they bring their microphones down when they're making comments or asking questions at this stage, you don't stand up to speak and tend to forget that you've got a microphone to use.

I put the question that Clause 7 do stand part of the Bill.

Mr Tony Kilner –

Clause 7 sets out the circumstances in which staff who have already left SHG can get a pension for ..... The circumstances that you'll see in the Bill as printed offers a defined .....by referring to other parts of the Ordinance, so in order to aid your understanding if I can just read out what those circumstances are. They are – pensionable staff who have left SHG after ten or more years of service, staff who have been made redundant after the age of 55, certain staff who are medically boarded, staff who have been transferred to another employer as part of the divestment programme and pensionable staff who have been dismissed after ten years of service.

The Speaker –

Any questions, Honourable Members?

The Hon. John Cranfield –

Yes, Madam Speaker, just for clarification, on 7 (1) it says if you resign after ten years service, if you resign you're entitled to a pension?

Mr Tony Kilner –

If you resign after having completed ten years service you will become entitled to a pension when you reach the age of sixty or sixty-five.

The Hon. John Cranfield –

And that's something new?

Mr Tony Kilner –

No, the principle there is something that is .....ted since the Pensions Ordinance was amended in April 1999.

The Hon. John Cranfield –

Okay. I thought once you resign you are not entitled to anything unless you have an early retirement?

Mr Tony Kilner –

Well, it would be, what is sometimes called early retirement, resigning after ten or more years of service and you have certain amount of.....

The Hon. Stedson Francis –

Would it be classed as what some call freeze your pension?

Mr Tony Kilner –

Yes, that's another word for the same thing.

The Hon. Tara Thomas –

The difference now, of course, is that when those pensions get frozen they also get upgraded with the cost of living so that it doesn't erode the value of those individual's pensions.

The Speaker –

Anything else on Clause 7, Honourable Members?

The Hon. Anthony Green –

Yes, Madam Speaker, Clause 7, subclause (4). Just a very small point, I just wonder whether the word 'Department' should not have become 'Directorate'?

Mr Tony Kilner –

The old Ordinance refers to Department throughout and we haven't changed that. Not all SHG staff at the moment are, in fact, part of Directorates, the vast majority are, but there are some staff .....not Directorates, so by leaving the terminology unchanged we're aiming to have a general generic term that covers any of the units if you wish, SHG's workforce if you like.

Mr Frank Wastell –

Yes, just speaking on a point of law, I don't think it makes any difference, Madam Speaker. Department is taken in its actual definition meaning therefore it will be interpreted that way and if someone is working in an area of SHG they'll be working in a Department whether it's a Directorate or not.

The Speaker –

Anything else on Clause 7, Honourable Members?

The Hon. Raymond Williams –

7 (1) (b), please. Can you give a slight explanation, please? I'm not quite clear in my mind if I really understand that. 7 (1) (b) if your service terminates after 1<sup>st</sup> April you are deemed to have retired from the Public Service at the age referred to section.....

Mr Tony Kilner –

So what section, if I can first of all explain section 7 (1) (a). That says that somebody who has resigned after ten years of service will be deemed to have retired when they get to the age of sixty, so.....they will be .....What Clause 7 (1) (b) says is that the

staff who resign after 1<sup>st</sup> April 2012 they at normal retirement age will be the normal retirement age.....their date of birth.

The Hon. Raymond Williams –  
Okay, thank you.

The Speaker –  
Anything else, Honourable Members, on this Clause?

Clause 7.

Question put and agreed to.

The Speaker –  
I put the question that Clauses 8, 9, 10, 11 and 12 do stand part of the Bill.

Mr Tony Kilner –  
Section 8 covers compulsory retirement prior to the normal retirement age and no longer contains other grounds for compulsory retirement that were in the current Ordinance, like, for example, marriage for the female officer, which is currently a ground that enables the Government to compulsorily retire an officer. Sections 9 to 12 cover the maximum pension payable to generally two thirds of salary and in cases of the assignment of pension and what happens in the event of bankruptcy. These clauses have been updated in relation to service in other parts of the British Empire, they've been updated in relation to gender discrimination and the age of majority to reflect changes elsewhere in the Bill. So, to give an example of that, in the current Ordinance, a pension that has been awarded to a man .....case of divorce are to be assigned to the wife or former wife, well, those rules now apply in both directions.

The Hon. Owen O'Sullivan –  
I just have a query about 12 (2) where it mentions where any officer is sentenced to death or a term of imprisonment by any competent Court for any offence after retirement and the losing of the pension. It does seem quite wide and also, of course, it seems to agree with an action which is contrary to the Constitution in terms of right to life and, of course, if it's competent Court for any offences abroad there could be a number of offences, such as, you know, in the Middle East you can be imprisoned for kissing, you could be imprisoned for not wearing a seatbelt, which is not a crime here, but smoking, etc, etc. I suppose I just think it's quite prescriptive and quite broad and could go contrary to a pensioner who may end up in prison for a sentence that wouldn't have any impact, wouldn't be a crime here or wouldn't result in the loss of pension.

Mr Tony Kilner –  
.....I could say which would be of some comfort is that this Clause gives powers to the Governor to stop pensions in certain circumstances, which I think you can rely on the Governor not using those powers if they would contradict the right to life .....in the Constitution because the Constitution would, in any case, override this Ordinance. I do take the point though that this Ordinance .....to give the Governor a power to do something that .....the Constitution, so, but in terms of the practical effect I think it would cause detriment to .....

The Hon. Owen O'Sullivan –

I suppose my point is they also, in legislation we seem to be agreeing with something which is contrary to the legislation as well, even if there is a safeguard?

The Speaker –  
Attorney General?

Mr Frank Wastell –

It's how Members feel about this, Madam Speaker, but we do have a Clause in the Constitution, Section 6, giving a right to life, we don't have the death penalty in St. Helena, but we do have to recognise that some countries in the world have their own laws, their own ways of thinking about things and some countries do have the death penalty and so this section just drafts into our law. It isn't a change actually where it refers to the sentence to death; that was in the original legislation. It just drafts in some flexibility, but as Mr Kilner has stated, the .....that we could rely on the good sense of any Governor who a question of this type came before to look to the Constitution as he would have to or he would be overruled anyway, and look to the circumstances where somebody has been sentenced to death or sentenced to imprisonment in another country and come to a decision that we could all regard as judicious on St. Helena.

The Hon. Stedson Francis –

Can we go back to compulsory retirement, Section 8. What happens if I am sixty years old today and I've got three month's leave I need to dispose off, can I claim my pay for three months from now on or I have to take it three months before now? How does the leave work out with retirement?

Mr Tony Kilner –

The practice at the moment is to require that public servants serve their leave before the date of their retirement.

The Hon. Stedson Francis –

But it's not taken care of in this Ordinance?

Mr Tony Kilner –

No, it isn't.

The Hon. John Cranfield –

Just a clarification, Madam Speaker, with regard to the Governor who can revoke your pension if you committed a crime or whatever. This is a contributory pension scheme now, isn't it, no?

Mr Tony Kilner –

The scheme we're talking about here is non contributory.

The Hon. John Cranfield –

Oh, non?

Mr Tony Kilner –

It's the scheme for employees who started after 1<sup>st</sup> April 2010.

The Hon. John Cranfield –  
Okay.

Mr Tony Kilner –  
It's contributory, it's not covered by this Ordinance.

The Hon. John Cranfield –  
Okay, I thank you.

The Speaker –  
Anything further, please, on Clauses 8 to 12?

Clauses 8, 9, 10, 11 and 12.

Question put and agreed to.

The Speaker –  
I put the question that Clauses 13, 14, 15 and 16 do stand part of the Bill, covered quite a bit of paperwork, still.

Mr Tony Kilner –  
These sections cover what happens while pensioners who are imprisoned or those who die before or shortly after retiring. Changes have been made to these sections to remove reference to service elsewhere in the British Empire, to remove gender discrimination and to reflect changes elsewhere in the Bill.

The Speaker –  
Any questions on these clauses, Honourable Members? In essence, I understand that they're the same as they were in the previous Bill.

Clauses 13, 14, 15 and 16.

Question put and agreed to.

The Speaker –  
I put the question that Clause 17 do stand part of the Bill.

Mr Tony Kilner –  
Section 17 is changed to allow the value of pensions awarded to staff who left SHG before retirement be increased with the cost of living increases between leaving SHG and reaching retirement. In other words, the frozen pensions .....and not frozen anymore, they can be increased or .....

The Speaker –  
Any questions on Clause 17?

Clause 17.

Question put and agreed to.

The Speaker –

I put the question that Clause 18 do stand part of the Bill.

Mr Tony Kilner –

This is a new section which was added to ensure benefits awarded under the current Ordinance continue.

The Speaker –

Any questions on Clause 18?

Clause 18.

Question put and agreed to.

The Speaker –

We now come to the Schedules. I put the question that Schedule I, Regulations 1 and 2 of Schedule I do stand part of the Bill.

Mr Tony Kilner –

Regulations 1 and 2 cover the title and definitions and they haven't changed from the current Ordinance.

The Speaker –

Any Honourable Member got any comment or questions?

Schedule I, Regulations 1 and 2.

Question put and agreed to.

The Speaker –

I put the question that Schedule I, Clauses 3 and 4 do stand part of the Bill.

Mr Tony Kilner –

Regulation 3 sets out how pensions are calculated for pensionable staff. Regulation 4 allows the staff to get a gratuity if they retire when they've done less than ten years or which otherwise qualifies for a pension. I could provide further detail on the calculations of pensions to pensionable staff if Honourable Members would like me to do so.

The Speaker –

Honourable Mervyn Yon?

The Hon. Mervyn Yon –

Yes, if it's a bit complicated, then, yes, let's hear it.

The Speaker –

I think Mr Kilner may have an example which will help.

Mr Tony Kilner –

Well, the changes that are made to these regulations are, first of all, a change to the credit that is given to each month's service, this is the accrual rate that the Honourable Financial



Secretary referred to earlier, so at the moment, pension is calculated on the basis of one six hundredth of pensionable emoluments for each month of service, the months completed after 1<sup>st</sup> April, the calculations will be one over eight hundredth of pensionable emoluments for each month of service. There is then the change that pensions for staff who choose to draw a pension before the normal retirement age, for those pensionable will be reduced by 6% for every year before the normal retirement age that they start to draw their pensions. So that staff may not draw a pension .....before the normal retirement age.....but if they do so it will be at a lower rate. Pensions for staff who are required to leave SHG over the age of 55 and who choose to draw a pension from when they leave SHG have reduced by 2% for every year before the normal retirement age that they start to draw their pension. In all these cases, the pension can still be taken from sixty at a rate that is at least what the officer would have been eligible for if they had retired on 31<sup>st</sup> March 2012. In cases of redundancy, as at present, and transfer of employees on divestment, a ten-year minimum period to qualify for pension.....

#### Schedule I, Regulations 3 and 4.

Question put and agreed to.

#### The Speaker –

I put the question that Schedule I, Part 3, Regulations 5, 6, 7 and 8 do stand part of the Bill.

#### Mr Tony Kilner –

These Regulations provide how length of service is calculated for pension purposes. Regulations 5 to 6 are changed to recognise part-time service on a pro-rated basis. In other words, working two days a week for twenty-five years would count as the same length of pensionable service as having worked full-time five days a week for ten years. This corresponds to the change in the definition of salary so that the salary for part-time staff is the equivalent to full-time salary. This would allow much greater flexibility than allowing staff who work on a part-time basis for parts of their career without it damaging their pension rights. Other changes to these regulations delete parts relating to service for other governments in the British Empire and to make clear that staff who have rejoined after 1<sup>st</sup> April 2012 cannot rejoin as pensionable except in certain circumstances where they were required rather than choosing to leave SHG service. Regulations 7 and 8 are unchanged with the corresponding existing regulations.

#### The Speaker –

Any questions?

#### The Hon. John Cranfield –

Sorry, Madam Speaker, I'm just trying to find out if all these new changes now will be reflected in the terms and conditions of the new contracts for employees that are employed by SHG?

#### The Hon. Paul Blessington –

Madam Speaker, new employees to SHG will not come under this legislation. They will be under the Defined Contribution Scheme, so these changes only apply to existing contracted SHG staff who joined before 1<sup>st</sup> April 2010. If they leave SHG and then come back again they will do so under a new employment contract with a defined contribution.

The Hon. John Cranfield –

Thank you very much, Madam Speaker.

Schedule I, Part III, Regulations 5, 6, 7 and 8.

Question put and agreed to.

The Speaker –

I put the question that Schedule I, Part 3, Regulation 9 do stand part of the Bill.

Mr Tony Kilner –

Regulation 9 defines the emolument that has been taken from the .....pension. The regulation is changed to allow the value of pensions for all its staff who left SHG before retirement to be increased to the cost of living increases between leaving SHG and reaching retirement age. The rule applies to staff who are leaving after 1<sup>st</sup> April 2012 but for whom the normal retirement age will depend on their date of birth. Staff who have already left before 1<sup>st</sup> April 2012 won't benefit from upgrades between when they left and when they come to retirement age, but on the other hand, their retiring age will be sixty regardless .....

The Hon. Tara Thomas –

Madam Speaker, can we just have some clarification on the subclause (4). Is that, referring back to my earlier question about the definition of house allowance, does that mean that the maximum pension contribution that can be accumulated from any type of housing allowance is maxed at £150.00 per annum?

Mr Tony Kilner –

It means that when calculated in the salary that the pension is based on the provision of free accommodation to the maximum value attributable to that is £150 a year.

The Hon. Tara Thomas –

I see, okay.

The Hon. John Cranfield –

Sorry, Madam Speaker, maybe one for the Attorney General or perhaps the officers can answer it, but how would this affect those people who have already signed up their contracts and now they're being told that if they want to retire early they'll have 6% and 2% deducted from their pensions, is that legally right?

Mr Tony Kilner –

I think I'll best leave that one to the Attorney General.

Mr Frank Wastell –

The employees will be subject to the law just the same as everybody else. They were subject to the Pensions Ordinance, which was Cap 50 I think, that will be changed and they will be subject to the new law if this House passes this Bill into law. It is really as simple as that.

The Hon. John Cranfield –

Is that a fair deal for employees?

The Hon. Paul Blessington –

Madam Speaker, I think it is worth just reminding the House that under the existing law, all pensions are granted at the discretion of the Governor, nobody has a legal right to receive a pension, so you could argue that we are not actually taking away a legal right, because there isn't a legal right, all pensions are simply at the Governor's discretion.

The Hon. John Cranfield –

I'd just like to point out, Madam Speaker, that in your employment contract it does say that this post is pensionable.

Mr Tony Kilner –

And the post will carry on being pensionable. The other point worth recording at this point is that pension rights up until 31<sup>st</sup> March 2012 are protected so that it's a reduction of 6% a year should somebody who wants to go at sixty when their normal retirement age is after that. If that were taken down to a level below what they've already earned from sixty up until 31<sup>st</sup> March 2012 they will get what they've already earned so it's not taking away their pension rights that has been under service up until 31<sup>st</sup> March 2012.

The Hon. John Cranfield –

I am assuming that during your consultation phase that members of the Public Service were told this and they were happy with the situation?

Mr Tony Kilner –

Well, they were told it, naturally because this represents a reduction in the level of benefits that staff will be earning in future many staff would prefer that it was otherwise, but they understood the reasons why this is necessary. The alternative is not to amend the scheme at all or only by increasing it, which would have not addressed the financial sustainability problems that it did with the current pension arrangements.

The Hon. John Cranfield –

Okay.

#### Schedule I, Part 3, Regulation 9.

Question put and agreed to.

The Speaker –

I put the question that Schedule I, Part 3, Regulation 10 do stand part of the Bill.

Mr Tony Kilner –

Sub-regulation 10 (2) is added so that the Governor can make those non pensionable staff with more than ten years of service pensionable if they so wish.

The Speaker –

Any questions?

#### Schedule I, Part 3, Regulation 10.

Question put and agreed to.

The Speaker –

I put the question that Schedule I, Part 3, Regulations 11 and 12 do stand part of the Bill.

Mr Tony Kilner –

Regulation 11 is changed by deleting parts relating to service to other governments in the British Empire. Current service by staff under the age of twenty does not count as pensionable service. Regulation 12 is changed so that service after 1<sup>st</sup> April 2012 is counted as pensionable regardless of the staff member's age.

The Speaker –

Any questions?

Schedule I, Part 3, Regulations 11 and 12.

Question put and agreed to.

The Speaker –

I put the question that Schedule I, Part 4, Regulation 13 do stand part of the Bill.

Mr Tony Kilner –

Regulation 13 sets out the lump sum payment made to staff who are made redundant or are transferred to a new employer under the divestment programme and are made redundant by the new employer within five years of the date that they were transferred from SHG.

The Speaker –

Any questions, Honourable Members?

Schedule I, Part 4, Regulation 13.

Question put and agreed to.

The Speaker –

I put the question that Schedule I, Part 4, Regulation 14 do stand part of the Bill.

Mr Tony Kilner –

Regulation 14 is changed by deleting parts relating to service for other governments of the British Empire and by updating references to other parts of the Ordinance and Regulations.

The Speaker –

Any questions, Honourable Members?

Schedule I, Part 4, Regulation 14.

Question put and agreed to.

The Speaker –

I put the question that Schedule I, Part 4, Regulation 15 do stand part of the Bill.

Mr Tony Kilner –

Regulation 15 is changed by deleting a proviso that relates to service for other governments of the British Empire.

Schedule I, Part 4, Regulation 15.

Question put and agreed to.

The Speaker –

I put the question that Schedule I, Part 4, Regulation 16 do stand part of the Bill.

Mr Tony Kilner –

Regulation 16 sets out how benefits are calculated for non pensionable staff. Arrangements for gratuities for staff who resign or retire have not changed. However, there are some extensive changes that are made which I would like to go through in particular detail. Retiring allowances for staff who choose to draw a retiring allowance but before the normal retirement age are reduced by 6% for every year before the normal retirement age that they start to draw their retirement allowance. However, they cannot be reduced below what has been earned up to 31<sup>st</sup> March 2012. Provisions for extra gratuity or retiring allowance for staff made redundant are deleted. They are replaced by Regulation 22 and the provisions included below, which is that retiring allowances for staff who are made redundant or medically boarded over the age of 55 and choose to draw a pension from when they leave SHG are reduced by 2% for every year before the normal retirement age that they start to draw their pension. The qualifying period in such cases where a retiring allowance is ten years rather than twenty years. Staff that are transferred under the divestment can be granted a gratuity which after a five year minimum period and they will get that gratuity when they resign from the new employer and they can be granted a retiring allowance provided they have served for at least ten years rather than twenty years. The definitions of service and the pay have changed to make their benefits to part-time staff who will be based on pro .... .....of service and full-time .....of pay in the same way that the rules for pensionable staff have changed. A new sub paragraph makes it clear that staff who are dismissed may qualify for benefits in the same way as staff who resign and a new definition of pay is introduced that allows the pay used to calculate the benefits to be increased in line with cost of living increases to all that's pensionable. This does not affect most staff who will get benefits, or most non pensionable staff who will get their benefit when they leave SHG, but it does affect those who are made redundant and that is people who are transferred under divestment who may qualify for a retiring allowance from when they reach retirement age and those who are transferred under divestment who may qualify for a gratuity when they leave the new employer.

Mr Frank Wastell –

Madam Speaker, just for clarity's sake. Mr Kilner referred to Regulation 22, there is no Regulation 22, that was the old Ordinance, it became Regulation 13, just in case anyone was worrying about Regulation 22, we don't have one.

The Speaker –

Thank you.

Schedule I, Part 4, Regulation 16.

Question put and agreed to.

**Council resumed.**

The Hon. Paul Blessington –

Madam Speaker, I beg to report that the Pensions Bill, 2012 passed the Committee with no amendments and to move that this Council approves the said Bill and recommends to the Governor that it should be enacted.

The Speaker –

Thank you, Honourable Member. Is there a seconder, please?

The Hon. Tara Thomas –

Madam Speaker, I beg to second.

The Speaker –

Thank you. The Honourable Mover wish to speak to the Motion?

The Hon. Paul Blessington –

Madam Speaker, I'm very pleased that the Pensions Bill, 2012 has successfully passed through the Committee stage. As I said in my opening remarks, it is a very important step towards securing the financial future of the island and to ensuring that existing SHG public servants continue to enjoy good and adequate pension provision. I would also just like to reiterate that all of the changes that have been outlined in this Bill have been very thoroughly discussed with staff. There was a lot of consultation and staff's views were taken onboard by the Pensions Working Group and their recommendations for change have been reflected in this, so I would like to reassure all members of this House that this Bill will go through with, if not the absolute delight and joy of SHG staff, at least with their full understanding. Thank you, Madam Speaker.

The Speaker –

Thank you. I put the question that this Council approves the Pensions Bill, 2012 and recommends to the Governor that it should be enacted. Does any Honourable Member wish to speak? I can hardly invite the Mover to respond to a non-existent debate.

Question that Council approves the Bill and recommends to the Governor that it should be enacted, put and agreed to.

The Speaker –

Honourable Members, we have two remaining Motions on the Order Paper for today. I suggest that we break now and we return at half past one in order to continue business then. The sitting is suspended until half past one.

**Council suspended.**

**Council resumed.**

The Speaker –

Next item of business.

***Motion 2. The Honourable Financial Secretary.***

The Hon. Paul Blessington –

Madam Speaker, I beg to move that the Appropriation Bill, 2012, be approved in principle and referred to a Committee of the whole Council. I formally confirm that this Bill is presented on the recommendation of the Governor in accordance with Section 73, subsection 2 of the Constitution.

The Speaker –

Thank you, Honourable Member. Is there a seconder to the Bill, please?

The Hon. Tara Thomas –

Madam Speaker, I beg to second.

The Speaker –

Thank you, Honourable Member. The Honourable Paul Blessington?

The Hon. Paul Blessington –

Madam Speaker, I wish to introduce a Bill for an Ordinance to provide for the services of the financial year from 1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2013.

This will be the third and final occasion that as Financial Secretary I have the privilege of presenting the annual budget speech to Legislative Council. Since the first time I addressed Council back in March 2010, I note with considerable satisfaction that there have been many positive developments on the island and the future for St Helena looks far more secure now than it did only two years ago.

Part of the reason for this is external. The announcement on 3 November 2011 by the Secretary of State that a contract to construct the airport had been signed with Basil Read was a ‘game changer’. At last, St. Helena has a real prospect of being able to earn money from the outside world, through the development of a viable tourist industry.

Part of the reason for the brighter future, however, is internal. This Council has taken many steps towards preparing St Helena for the opportunities which the airport will bring. Not all of these decisions have been easy or popular, but in my view they have all been necessary, if Saints are going to achieve greater financial independence in the future.

Outside St. Helena, many places, including the UK, are continuing to struggle with very difficult economic conditions, high unemployment, pay freezes and stringent cutbacks in public spending. To a considerable extent, St. Helena has been insulated from the worst of these unpleasant events, but nowhere is immune. We remain fortunate to have the strong financial backing of the UK Government, but it is not a bottomless pit. Both Government and the residents of St. Helena will need to play their part in adapting to the knock-on effects of the tough conditions in the UK.

Madam Speaker, my main focus in this speech is on what the island has started on and must continue to do in order to turn the opportunity of financial independence presented by the airport into a reality. The 2012 budget is one of the steps in this process.

First however, I would like to reflect on some of the main points from the past twelve months. Of course, the successful outcome of the airport contract negotiations stands out as the highlight of that period, and I would like here to pay a special tribute to Sharon Wainwright who worked so hard on behalf of St. Helena to bring this about. Without her steadfast perseverance, I doubt whether we would have now got the airport, and it is a great sadness that she is not here to see her project come to fruition. I would also like to

acknowledge the unstinting work of our previous Governor, Andrew Gurr, in keeping the airport in the forefront of UK Ministers' and Officials' minds throughout his term.

St. Helena has had to do much to keep its side of the bargain to obtain agreement to build the airport. This was spelled out in the condition four of the Memorandum of Understanding or 'MOU', which required St. Helena 'to implement the reforms needed to open the island's economy to inward investment and increased tourism'.

This Council, supported by the Administration, has achieved substantial progress against many difficult objectives associated with this condition. Examples include:

- A revised Immigration Ordinance which makes it easier for people to enter, live, and work in St. Helena whilst still protecting the interests of people living on the island;
- A revised policy on investment which focuses on facilitating investment to the island generally;
- Strategies for Headcount Reduction, Divestment and Rationalisation of the Public Service;
- Progress on the Land Development Control Plan which will make land available for development in the right locations; and
- A new system of land disposal, which will enable non-St. Helenians to acquire land on St Helena.

These examples represent fundamental change in thinking, away from an inward-looking focus on managing decline, towards an outward-looking focus on engaging with the outside world to foster growth.

From the financial perspective, 2011 had many points of interest. Councillors will recall that we had 'two' budgets – the first one in March was a 'rollover' budget, caused by the delay in the visit of the Development Aid Planning Mission, and the second budget – the substantive one – did not take place until July. During the 'rollover' period, Government had to continue with the spending levels set under the 2010 Appropriation Ordinance. Despite these obstacles, a number of initiatives were introduced from 1<sup>st</sup> April 2011 which are transforming our economy, including:

- Firstly, the introduction of accrual accounting to replace the former system of cash accounting. This is a significant leap forward in public sector financial management, that will help Government to improve control over its revenue and expenditures and provide better management of its assets and liabilities;
- Second, output-based budgeting, which places greater emphasis on what services Directorates deliver with the taxpayer funds they receive, rather than the previous focus on what inputs they spend the money on;
- Thirdly, the Customer Service Centre has been established, enabling the public conveniently to carry out the majority of their transactions with Government at one central point;
- Fourth, Income tax reform has been introduced, which simplified the tax system, reducing the upper rate, doubling the personal allowance and removing much of the record-keeping burden on small businesses;
- Fifthly, tax incentives to farming and fishing – two of St. Helena's fundamental private sector industries. It is satisfying to observe that output from both of these sectors has increased during the year, with more plentiful supplies of locally produced fresh food available in the shops;



- Sixthly, Customs duty and wharfage reforms – which have simplified the previous two stage system of wharfage and customs duties, broadened the range of dutiable items and eliminated the higher 30% and 40% duty rates (except for vehicles);
- Scrapping of the hotel tax, which was an administrative burden on our fragile but important hospitality sector;
- Introducing a 10% services tax on telecommunications and financial services, which has substantially broadened our revenue base;
- Introducing withholding tax on interest received from the Bank of St. Helena, whilst removing other administratively onerous aspects of withholding tax; and
- Introducing the Basic Island Pension, which has raised living standards for many over-65's in the community, whilst allowing them to keep any extra money they earn from employment without loss of benefit.

Taken together, these changes are beginning to exert a powerful but subtle influence over our collective behaviour. As opportunities begin to appear, it is becoming more worthwhile to apply for a promotion, start up that part-time business or come out of retirement to do some part time work. More private sector jobs are being advertised, more loan applications for houses and businesses are being sought, all evidence behind the feeling that there is a 'buzz' starting to ripple through the community that will reverse the previous sense of slow, inevitable decline.

Turning now to the estimated financial outcome of the 2011 financial year, I would like to highlight the following features:

At the end of February, eleven months through the financial year, our recurrent revenue was £117k ahead of budget at £25.57m, whilst recurrent expenditure was running £1.246m below budget at £25.364m. Whilst it is usual to see a spurt in expenditure towards the close of the financial year, given the size of the gap, it appears unlikely that overall spending for the year will exceed the revised budget. One area where there has been considerably higher spending than originally budgeted is in overseas medical referrals, where the full year outcome is expected to reach £870k, compared to a budget of just £542k. In the interests of patient care, SHG must meet these additional costs, but of course this places considerable strain on other areas which must provide offsetting savings. SHG has no discretion over the number of medical referrals so we are looking at whether alternative hospitals giving similar standards of care could bring this cost down.

One significant saving has been the reduction in subsidy required by the RMS, due to higher than forecast freight and passenger income. The positive effect of Basil Read's mobilisation to the island can be clearly seen in these results.

Capital expenditure, however, has been lower than planned, due to continued capacity constraints.

I'd now like to turn to the DAPM settlement, the Development Aid Planning Mission.

This year the DFID team spent an extended period on island during February to negotiate a 3-year funding agreement covering 2012-13 through to 2014-15. This was the first post-airport announcement visit by DFID, and involved a rigorous examination of all aspects of SHG's operations. As a result of the visit:

- Instead of the potential cut in the level of grant in aid, DFID has maintained last year's level of budgetary support at £12.1m. DFID has also agreed to increase support for long term technical cooperation posts.

- A significant adjustment has been made to the allocation of SHG's expenditure to support economic development, as the highest priority on the island.

What this means in practice is that DFID is not immediately turning off the support 'tap' just because they have started to fund the airport project. However, it does mean that we will have to concentrate our funds on activities that will help to grow our private sector. Funding of £687k has been allocated to Economic Development. This will include funding that was previously earmarked for Tourism and the SHDA, but will also include additional funding to establish Enterprise St Helena, the new body that will lead private sector development, headed by Julian Morris, the Chief Executive Economic Development.

The re-prioritisation of the SHG budget had to be carried out very quickly to fit in with the DAPM timetable. Quite a few areas of spending have been identified for reductions to enable funds to be re-prioritised elsewhere. During the new financial year, there will be an opportunity for Councillors to examine these cutbacks in more detail to see if they are both justified and achievable. Any fine-tuning of these decisions can then be undertaken through a supplementary appropriation at the mid-year stage.

I'd now like to return to Recurrent Revenue and Expenditure Plans for 2012.

The emphasis in the 2012-13 budget is very much on 'growing the pie'. The more we put towards developing our private sector now, the more everyone can benefit from sharing in a bigger pie in the future. That means that we have to be very selective about our recurrent expenditure decisions. However, that does not mean that SHG will neglect essential front-line services, particularly Education and Health. For example, this year, Health will employ six full time doctors, up from four two years ago. Education will appoint two 'School Improvement Partners' – specialist teachers whose job will be to improve teaching standards at both primary and secondary level.

Caring for our fragile environment is also essential if the qualities which make this island so attractive as a future tourist destination are to be preserved. A significant increase in funding has been made to the newly established Environmental Management Directorate.

The Government also remains determined to ensure that no one is 'left behind' as the economy grows. The budget will continue to support low income households through raising benefits to provide protection from rising prices, with two increases scheduled for this year in April and October. Total funding allocated for social benefits has increased from £684k last year to £788k this year. Additional money is also being reallocated to SHAPE to assist them to provide opportunities to work for up to ten clients from the former Community Work Scheme.

However, SHG Directorates will at the same time have to tighten their belts, to free up funds for our priority areas. A series of efficiency reviews of Directorates are being planned to identify opportunities to cut wastage and improve efficiency. In addition, the new Corporate Procurement section will become operational; with the purpose of improving procurement across SHG and realising better value for money from our procurement spend. Another productivity initiative is the combining of the former separate Customs and Tax Office organisations into a single entity, to be known as Her Majesty's Customs and Revenue. This will involve cross-skilling staff as both customs and tax officers, and will lead to improved tax compliance together with better customer service.

Cutting expenditure is never straightforward, nor popular, but further efficiency improvement and headcount reduction in SHG remains essential if we are to be able to fund the high priority areas of Economic Development, Education, Health and Infrastructure, and free up staff to take up valuable new roles in an expanding private sector.

Now, I'd like to turn to Pay and Benefits. I have already referred to the tough economic conditions facing the UK. The UK public service currently has a two year pay freeze in operation. Whilst we are very fortunate that our grant in aid funding from the UK has not been cut, we still have to make do with the same level as last year. Other costs meanwhile have continued to rise, limiting the scope to adjust SHG pay. Nevertheless, there is provision in this budget for a modest pay award to be made from 1 October 2012. More details of this will be announced later. In addition, there is also some provision to provide a 'market forces' supplement to attract and retain people with the skills that are essential to SHG.

Pensions. The basic level of basic island pension, or BIP, will be increased by 4.7% with effect from 1 April 2012. A further increase is planned from 1 October, although the exact amount is yet to be finalised.

Current SHG pensionable staff who are members of the Defined Benefit pension scheme will see a number of changes to the scheme introduced from 1 April 2012. These changes will help to make the scheme more affordable to the island in the years ahead, whilst still providing staff with the opportunity to retire on up to two-thirds of final salary. The savings will be achieved primarily through raising the retirement age from 60 to 65 by 2023, and from reducing the rate at which pension rights are accumulated. In addition, the scheme is being enhanced so that staff who leave SHG with ten or more years service will have their pensions protected through cost of living adjustments. This will make it easier for staff to move between SHG and the private sector, giving greater labour mobility and helping St Helena to adapt faster to new opportunities. A further improvement to the scheme is the proposal to open the SHG pension scheme to non-pensionable staff with ten or more year's service, bringing terms and conditions of all staff more closely into alignment.

Pension reform remains a major financial policy objective for the Government. The ultimate goal being pursued, as described in the Callund report of 2007, is to reach the situation where there is an island-wide contributory personal pension scheme in place, so that all workers actively contribute to securing their pension needs over their working lifetimes.

Income Tax Reform. Madam Speaker, I said in my introductory remarks that this budget speech would focus on what St Helena has to do in order to turn the opportunity of financial independence offered by the airport into a reality. Reforming the income tax system to encourage investment by the private sector is an essential part of that jigsaw. The Income Tax Bill introduced during this sitting of Legislative Council focuses on providing those incentives to businesses. There are four main changes that will make it more profitable for all businesses, both local and offshore, to invest in St Helena. These are:

- An Investment Tax Credit – that will provide a deduction from the business's tax liability of 15% of the value of any additional assets imported to or constructed on the island;
- Accelerated depreciation – which will enable a business to claim an additional 20% depreciation in the first year, bringing forward the rate at which it can write off its assets against tax;

- Thirdly, rollover relief on capital gains – which will enable a business to claim tax relief if it reinvests the proceeds of an asset sale back into a business; and
- Fourthly, unlimited carry-forward of losses – which will enable businesses to offset any losses it makes against future taxable profits for an indefinite period.

In addition, the rate of capital gains tax has been reduced from 25% to 10% and the scope of the tax has been restricted to sales of property, shares or businesses. The exemption for a principal private residence will remain.

One loophole being closed is the ability to offset business losses against income earned from employment. In future, such business losses may be carried forward indefinitely until they can be offset against tax on profits from the business.

As a result of these new investment incentives, the existing Approved Investor Scheme, the AIS, has reduced relevance and will close to new applicants from 1 April 2012. Existing AIS participants will continue to obtain the AIS benefits for the remainder of their validity period, but they will not be able to claim both AIS customs duty exemption and Investment Tax Credit for the same item.

Tax modelling shows that the investment tax concessions will reduce revenue in the second and third years of implementation. We can make up this revenue shortfall without compensatory increases in other taxes, by simply holding the current personal allowance steady at £7000 for the next two years. This will be sufficient to offset the investment tax concessions.

There are no changes to the standard rates of income tax and corporation tax this year, which remain at 25%. However, it is the recommendation of the tax reform working group that these rates be progressively reduced by one percent every two years until they reach a target level of 20%, making St Helena a more internationally attractive destination for companies, investors and skilled workers.

The tax system in every country has a powerful impact on the way its residents and businesses behave. A well-designed tax system encourages people to work, does not distort spending and saving decisions and encourages investing for the future, whilst a poorly-designed tax system can do just the opposite. While there is still room for further improvement, St Helena has come a long way towards building a tax system that really will support increased prosperity in the future.

**Now Stamp Duty.** The tax reform working group examined the current system of stamp duties to see whether it was consistent with the objectives of simplification and broadening the tax base whilst making the tax system investor-friendly. As a result, some modifications to stamp duties will come into effect from 1 April 2012. These include the introduction of a set of standard fixed fees for rental leases of:

- £25 where the initial rent liability is less than £5,000;
- £75 where the initial total rent liability is between £5,000 and £20,000; and
- £250 where the initial total rent liability is over £20,000.

These standard charges aim only to recover costs of the registration process, rather than to raise revenue.

Stamp duty on land sales and lease premiums will be treated as a revenue source and will continue to have a percentage rate applied. From 1 April 2012, this will be at 1.5%. From 1 April 2013 this will rise to 2% and from 1 April 2014, it will become 2.5% and remain at that level thereafter. Stamp duty on share transfers will attract a rate of 1% from 1 April 2012. In each case, stamp duty is paid by the buyer and not by the seller.

Customs Duties. There are no changes to the current 'ad valorem' rates of customs duties, which will remain at 20% on regular items and 5% on a range of basic food and other necessities.

Specific duties will increase from today by 6.5% which is 3.2% below the inflation rate from last year, to remove the effect of price rises stemming from last year's tax reforms. This is in line with the commitments made during the DAPM settlement.

Duty on a 340ml bottle of beer below 4.5% alcohol will increase by 3p, while higher alcohol beer will rise by 7p. A 750ml bottle of wine will increase by 24p. A 750ml bottle of spirits will rise by 63p. A packet of 20 cigarettes will rise by 17p.

Duty on diesel will rise by 7p to 17p per litre. Duty on petrol will fall by 4p to 39p per litre. This is a combination of the staged equalisation of diesel and petrol duty, coupled with the 6.5% inflation adjustment to the specific duty.

Tariff changes. Increases in a variety of tariffs are necessary in order to meet the increasing cost of providing services. Some of these changes will take place from 1 April, while others will be introduced later in the year so that the immediate impact on household budgets is reduced. Electricity tariffs will rise by 10% from 1 April 2012. Freight rates on the RMS will increase by 11%, whilst passenger rates will increase by 4%, but these changes will be held off until 1 July 2012. In recognition of the water quality problems being experienced by consumers at the moment, water tariffs will be held at current levels for six months until these problems are resolved and further investment in the water system has been undertaken.

It is important to remember that electricity, water and shipping services are still subsidised by the government to a substantial degree and that any subsidy takes away money that could otherwise be used to provide additional services elsewhere. Raising tariffs in line with inflation on an annual basis prevents subsidies from increasing further and eroding the supply of other vital services such as health or education, or limiting the funds available for pensions and benefits. It is SHG policy to reduce the level of general or untargeted subsidies over time, in order to ensure that subsidies go only to those who most need them.

Capital Expenditure. SHG will be required by DFID to contribute towards approved capital expenditure plans from its accumulated reserves and special funds. Over the next three years, this will amount to £4.8m. I believe this is a reasonable requirement, given the generous contribution from the UK towards the airport and associated infrastructure. Major capital projects include two new generators for the power station, further upgrading of the water supply system and additional wind turbines.

The new passenger terminal on the wharf is close to completion, and the upper floor is already occupied by the Harbour Master and Her Majesty's Customs and Revenue. When the lower floor opens later this year, arriving and departing passengers will enjoy much improved facilities compared to the current arrangements.

Funds are being used to renovate and expand the stock of Government Landlord Housing. Work is currently being carried out to create 11 additional units during 2012-13. Recently, a

new draft housing strategy has been prepared which will assist SHG to meet the island's varying accommodation needs.

In addition, DFID has agreed to fund additional capital investment on the RMS to increase its passenger capacity. This will involve the construction of 29 additional berths at an estimated cost of over half a million pounds. With increased demand for passenger berths on the ship expected as a result of airport construction, the additional berths will help ensure that acceptable levels of access to the island are maintained.

Post Office. The role of Postmistress and Head of Customer Services Centre has been combined in a continued effort to obtain greater productivity and reduce costs. Another cost reduction measure has been to transfer philatelic sales to overseas clients to CASCO, our philatelic agency in the UK. Meanwhile, Saints and visitors to the island will still be able to purchase new stamp releases locally.

Madam Speaker, it would be a rare budget indeed that pleased everybody, since doing that would require unlimited resources. This budget, I believe, represents the best that this Council could achieve within the limited funds at its disposal. It provides help to those in society finding it hardest to make ends meet, whilst firmly setting its sights on the long term goal of delivering economic growth and financial independence. Not everyone will be happy where budget constraints have directly affected them, but private sector businesses should have much to celebrate in this budget. With the business opportunities arising from the construction phase of the airport, coupled with the generous tax incentives in this budget, there has probably never been a better time to invest in the island. I very much hope that business owners across the island will start to invest for the future, to the benefit of both themselves and those that they employ. The private sector is the key to the future of this island, and this budget aims to unlock the door to that future.

Madam Speaker, I beg to move.

The Speaker –

Thank you, Honourable Member. Do you wish to move to adjourn the debate until Monday?

The Hon. Paul Blessington –

Madam Speaker, I beg, in accordance with Standing Order 30, Rule 1, subsection 3, that the Motion should be adjourned until the next sitting at 10 o'clock on Monday.

The Speaker –

The next item of business, please?

***Motion 3. The Honourable Cyril Gunnell.***

The Hon. Cyril Gunnell –

Madam Speaker, I beg to move that this Council, concerned that passenger travel by sea may not be possible following the withdrawal of the RMS St Helena from service, believes that ongoing travel by sea should be facilitated by SHG.

The Speaker –

Thank you, Honourable Member. Is there a seconder to the Motion, please?

The Hon. Bernice Olsson –

Madam Speaker, I beg to second.

The Speaker –

Thank you. Honourable Mover?

The Hon. Cyril Gunnell –

Madam Speaker, Honourable Members will be aware that once the airport has been completed and it is up and running, the services currently offered by the RMS St Helena, which includes passenger travelling to Ascension and Cape Town on the RMS by sea, will be withdrawn. I am aware, and other Members are also aware, that there are people who would prefer to travel on a ship as opposed to travelling on an airplane. Indeed, there are people who have a phobia about travelling by air and also there are people that prefer to have the choice of travelling either by sea or by air. Madam Speaker, it is no secret that I was one of those people, along with many others around the island, who initially did not agree to the plan to discontinue voyages by the RMS to the UK and that the RMS should only operate in the South Atlantic. I stated very clearly my reasons for this, and, indeed, I was also stating the case on behalf of constituents that approached me. I very reluctantly had to change my stance once it had been made clear that it was uneconomic for the RMS to continue with destinations to the UK and there were advantages for the RMS carrying out business only in the South Atlantic. The latter, Madam Speaker, is still left to be seen. But, Madam Speaker, I understood during the debates and public meetings that in the future when the RMS is withdrawn from service other ships would be chartered to bring freight to the island and those ships would also be able to carry up to twelve passengers. I am certain that I am not the only one that understood this. However, as I said earlier, Honourable Members are aware that the services currently offered by the RMS St Helena will be withdrawn and the plan as far as cargo is concerned is to charter other ships to transport the island's requirements. Madam Speaker, the reason for bringing this Motion for debate is because of the perception by some that those cargo ships will only carry passengers if the ship's operator decides to, at least this is what I understand from the answer given to a colleague at a recent information Legislative Council meeting, who enquired about ship's in the future carrying passengers. St. Helena is an island in the middle of the South Atlantic, steeped with maritime history stretching all the way back to 1502 and passengers travelling by ship has been the only mode of transport. Is it in our island's best interest that there is no plan for passengers to continue travelling by ship once the RMS is withdrawn? I would suggest not, Madam Speaker. Is it in the island's best interest to engage only those ships where the ship's operator decides whether the ship carry passengers or not? I would suggest not, Madam Speaker. Ships that only carry twelve passengers are nothing new to St. Helena; this used to happen in the past. Some of the Union Castle ships that brought cargo for the island also brought and took away twelve passengers. I believe there are still ships today that operate on these same lines. As far as future transporting of passengers is concerned, is it in the best interest of St. Helena to put all our eggs in one basket and thus relying solely on air? I would suggest not, Madam Speaker. It is, I would argue, in St. Helena's best interest that passenger travel by sea is ongoing. Everything possible, Madam Speaker, must be done to ensure, following the withdrawal of the RMS St Helena from service, that there are ships with the capacity to carry passengers by sea. Honourable Members, I commend this Motion to you. I trust you believe, just like I believe, that when the RMS St. Helena is withdrawn from service ongoing travel by sea should be facilitated by sea. Thank you, Madam Speaker.

The Speaker –

Thank you, Honourable Member. I put the question that this Council, concerned that passenger travel by sea may not be possible following the withdrawal of the RMS St Helena from service, believes that ongoing travel by sea should be facilitated by SHG. The question is open for debate. Does any Honourable Member wish to speak? The Honourable John Cranfield?

The Hon. John Cranfield –

Thank you, Madam Speaker and thank you the Honourable Member. I am sure that every Member of this House will recall that DfID have already stated that once the airport opens they will not be subsidising cargo or passenger shipping operations, currently some £5m per annum. DfID have committed to providing financial support for the air access arrangements once the airport opens. Therefore, it is unlikely that there will be a scheduled ship-based passenger service. It is not known what type of commercial cargo shipping operation will serve the island and this will not become clearer until closer to airport opening and is becoming the focus for passenger movements to the island. It is possible that some sea-based passenger access may be possible via the cargo operation. This may be possible subject to onboard accommodation, life-saving equipment etc for a cargo ship to carry up to twelve passengers if they wish, and cruise ships, Madam Speaker, there is likely to be additional cruise ship calls and possible passenger exchanges with the convenience of an airport. Madam Speaker, having said that, I will support the Honourable Member's Motion and hope that this Motion will yield positive results. Thank you, Madam Speaker.

The Speaker –

Thank you, Honourable Member. Honourable Stedson Francis?

The Hon. Stedson Francis –

Madam Speaker, I support the Motion. There are concerns that when the RMS is withdrawn from service around 2016 there is no guarantee that it will be possible to travel by sea. Madam Speaker, I am made to understand that there are those who are not able to travel by air because of medical conditions and I would fully support the idea that when alternative shipping is sought for St. Helena it should be able to accommodate at least a few passengers onboard and I would hope that SHG will ensure that when engaging a suitable ship this can happen to service St. Helena. Thank you.

The Speaker –

Thank you, Honourable Member. The Honourable Bernice Olsson?

The Hon. Bernice Olsson –

Thank you, Madam Speaker. Madam Speaker, I seconded this Motion, obviously because I agree with the Honourable Mover, but also because we need to give the issue of the shipping in the future a higher priority. There is no doubt that an airport and air access could never entirely replace a reliable shipping service. For most freight in the island, sea transportation is the only feasible choice, but a sea passenger service could also make a valuable addition and support to air access. However, it is unlikely that sea access can be developed much further without seriously enhancing harbour facilities for both cargo and passenger traffic in the future. What should also be established is an open sea policy as much as an open policy for the airport which would mean that we would facilitate for anybody who wants to operate a passenger shipping service to the island in the same way that we do so for an airline to operate it is important that we do not go back to the dark ages when we had a shipping monopoly which I understand was only abolished a couple of years ago. Madam Speaker,



one of my fears is that a regular shipping service to and from the island will be seen as a competitor to the air service and stuck or in any way hindered by the St. Helena Government. We are told that the RMS St. Helena will discontinue operation in 2016. Hopefully this is not the case, but instead that some private interest would take over to continue the service, both for cargo and passenger for much longer. Thank you, Madam Speaker, I support the Motion.

The Speaker –

Thank you, Madam. The Honourable Tara Thomas?

The Hon. Tara Thomas –

Thank you, Madam Speaker. I have some difficulty in offering support to this Motion, mostly because at the moment the RMS currently receives a subsidy, as many of my colleagues have said, of £5m a year. Under the Memorandum of Understanding for air access, a feasibility study was commissioned by the Tourism Office to investigate whether a passenger ship chartered regularly for St. Helena would be feasible, and, again, this additional ship would require a subsidy close to £5m. I had thought, in looking at the Motion, that my Honourable Colleague might have actually referred to providing alternative travel arrangements for our medivacs who might be unable to use the flight service leaving from St. Helena because of their medical condition, which is something that I would be able to support, but I find myself in a very difficult position knowing the level of subsidy that is required for a service of this kind to be maintained on a regular, ongoing basis. Referring back to the Financial Secretary's budget speech, we don't have a bottomless availability of funds to support that type of service which the Honourable Member said is to support some people who choose not to travel by sea or to support some people who have a phobia and whilst I empathise with individuals who do not like travelling by sea, I am not a big fan myself, or those who do not travelling by sky, but I don't think we can actually commit this Government to subsidise a service that is only for a few small number of people on St. Helena, I think we have to remind ourselves of why this island has actually been pushing so hard for the last twenty or so years to have an airport for St. Helena in the first place. So whilst I can empathise with my colleague's sentiments behind the Motion, Madam Speaker, I'm not able to support it.

The Speaker –

Thank you, Honourable Member. The Honourable Derek Thomas?

The Hon. Derek Thomas –

Thank you, Madam Speaker. I, likewise, have some difficulty in supporting this Motion as it stands. As a sensible Government, I think we'll have to look at what is best value, I have no problem, I think St. Helena Government is under an obligation to provide alternative shipping arrangements for freight, that is clear, under an obligation, we must have alternative arrangements for freight, whether we can afford the luxury of having a shipping service for passengers as well I have concerns about that, the British Government has made it clear they will not fund a shipping service as well as a air service. I will have no problem in supporting a study to see how other territories cope with this sort of situation. There are other territories throughout the world who undoubtedly have to charter ships for freight arrangements, so a study, I think, Madam Speaker, is in order, but to support a shipping service that offers passenger travel, I mean, at the expense of the St. Helena Government, in my view, I feel it could be a luxury we can ill afford until a study is carried out. Whatever shipping services we have in place for freight and we clearly have to have a shipping service in place for freight, that's without a doubt, there might be opportunities for passengers to travel, in some

cases it might be up to twelve on that freight service. There is also other travel by sea which passengers can take the opportunity of and that is on cruise vessels. That happens now and I'm sure if the economy starts to grow and develop we hope to see further cruise ships, so I find it very hard to support the shipping service that offers both freight and passenger. That may not at all be possible, certainly the freight will have to be possible, so I have problems in supporting the Motion as it stands, further study must be carried out and I support that and I do support we have to have a ship to provide our freight requirements, Madam Speaker. Thank you.

The Speaker –

Thank you, Honourable Member. The Honourable Tony Green?

The Hon. Anthony Green –

Thank you, Madam Speaker. When I first saw the Motion on the Order Paper, my first thoughts were nice to have but can we afford it, but on thinking about it, I could support the Motion if facilitated means that SHG should help make it happen rather than SHG having to pay the cost, because my understanding of facilitated is to help make it happen and if that clarity is forthcoming, I wouldn't have a problem of supporting the Motion, but I would have difficulty if it means that it is asking for St. Helena to pay the cost. Thank you, Madam Speaker.

The Speaker –

Thank you, Honourable Member. The Honourable Michael Benjamin?

The Hon. Michael Benjamin –

Yes, thank you, Madam Speaker. I thank my Honourable Colleague for bringing such a noble Motion to the House, but I am inclined to agree with Councillors Thomas and Thomas that just having been given a dedicated air service, I don't think that we would be able to come up with the money to run a dedicated shipping service as well, even if you were to look at running a service for medical referrals for people that could not travel by air, it would be quite difficult, because you could have a dedicated shipping service but you would just not know when you would have a medical referral, so at this moment in time I don't think I could support the Motion. Thank you.

The Speaker –

Thank you, Honourable Member. Any other Honourable Member wishes to speak to the Motion? The Honourable Raymond Williams?

The Hon. Raymond Williams –

I won't say too much on this, Madam Speaker, I think everything has been covered. I rise in support of the Motion. Thank you.

The Speaker –

Thank you, Honourable Member. The Honourable Mervyn Yon?

The Hon. Mervyn Yon –

Thank you, Madam Speaker. Madam Speaker, I rise in support of this Motion. I do have grave concerns about shipping since I raised it as a question at an informal Legislative Council meeting a couple of weeks ago. The answer I received at that time was not very acceptable but I did not question it. I would like to remind my Honourable Colleagues that it

is a disaster and it will be a bigger disaster when the RMS is taken off line from the route, especially to the UK. This in itself, Madam Speaker, caused grave concerns on the island when that route was not allowed to happen any longer. There could be a possibility of passengers booked on tourist ships. That in itself would have to be pursued. Not everyone would want to fly and also, Madam Speaker, what will be the cost of flying in comparison to passenger ships or a passage on the ship? Freight, I believe, will not be a problem, but we must consider passenger service and, in particular, Madam Speaker, there could be referrals that will not be able to fly and unless we have a dedicated ship of some kind that can give us passengers, then I'm afraid we can still land ourselves in trouble. I support the Motion, Madam Speaker.

The Speaker –

Thank you, Honourable Member. The Honourable Brian Isaac?

The Hon. Brian Isaac –

Madam Speaker, thank you. I would like to thank my Honourable Friend for bringing his Motion to the House. I know it's very dear to his heart, this is not the first time that this concern has been raised and it's also the concern of some of the public out there, what will happen to sea travel once air access has taken off. But I also believe and understand that DfID has made a commitment that they will not finance additional sea travel once the airport is open, but maybe if the Honourable Mover could explain in his winding up debate what is actually meant by facilitated by SHG if he could say that, you know, this is to explore the possibility for medical referrals, I could support it. I understand that some medical referrals it is not possible for them to fly, but if a provision could be made, how it's made I'm not sure, but at the moment, under the wording of the Motion, I have some difficulty, but I think I will support it to get the Motion on the table and, of course, it could be explored and test means for medical referrals. Thank you, Madam Speaker.

The Speaker –

Thank you, Honourable Member. The Honourable Mover would like to wind up or respond to the debate, Cyril Gunnell?

The Hon. Cyril Gunnell –

Gladly, Madam Speaker. I think I would have to leave the Honourables Derek Thomas, Tara Thomas and Michael Benjamin until last. Madam Speaker, many thanks to the Honourable Bernice Olsson for seeing it the way it is and she also says that the harbour should be enhanced and with an open sea service. Of course, this is the way it ought to be. She would also like to see shipping being given a higher priority actually when it comes to the RMS actually being withdrawn. The Honourable John Cranfield thought it was unlikely that there would be any subsidy, and, Madam Speaker, we're not talking about subsidy here and let's get right to the point to the Honourable Anthony Green's response and also Honourable Brian Isaac. Facilitate, Madam Speaker, simply means for Government to try to make it happen and so I hope I've got those two votes on my side. This is what it means, it simply asks for Government to try and make it possible for sea travel to be ongoing. I specifically didn't mention medical referrals because I knew that that would bring all kinds of other equations into it. It is for sea travel for anyone who would like to. And, of course, we had a yes response from Councillor Francis as well and also from the Honourables Ray Williams and Mervyn Yon. And so to the Honourables Michael Benjamin, Tara Thomas and Derek Thomas, I am very sad that you see things in this light. The Honourable Derek Thomas actually said he would like to see a study being carried out, but this is what we're asking for,

a study to be carried out and to see how the other overseas territories actually manage and this is all that's being asked for, a study to be carried out to see how SHG might be able to facilitate ongoing sea travel, we're asking for that and yet opposes it. And I know the Honourable Financial Secretary, who is quite aware of how things happen in, sort of, Norfolk Island, he actually undertook to have a look to see how that particular island handles sea travel in the light of air travel being in place, so I would look forward to the Honourable Financial Secretary actually reporting back to us at some stage about that. And the Honourable Derek Thomas also said there might be opportunity for travel on cruise ships and also cargo ships. Well, this is what we're asking for, for SHG to try to facilitate that, so why the opposing remarks? Madam Speaker, I thank the Members who have actually agreed and I look forward to a yes vote. Thank you very much, Madam Speaker.

The Speaker –

Thank you, Honourable Member. The Honourable Derek Thomas?

The Hon. Derek Thomas –

I'd just like to rise on a point of information, if I may, Madam Speaker. The Motion did not ask for a study to be carried out. If the Motion had asked for a study to be carried out, then I had no problem in supporting it. I am supporting the study to be carried out to see if it is possible that when we get the freight, transport by sea for freight, to investigate to see if it is possible for passengers, I got no problems with that. I have problem with the wording of the Motion.

The Speaker –

Thank you, Honourable Member.

The Hon. Cyril Gunnell –

Excuse me, if I may respond to that, Madam Speaker, just to say that the word facilitate means exactly that, have a study and so on. Thank you, Madam Speaker.

The Speaker –

Thank you, Honourable Member.

Question on Motion, put and agreed to.

The Motion is carried.

The Speaker –

That brings us to the end of the sitting for today, Honourable Members. I suspend the House until 10 o'clock on Monday morning and I believe that the Honourable the Financial Secretary has copies of his budget speech available for everybody. Thank you.

**Council suspended.**

