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Memorandum for Executive Council

SUBJECT

St Helena Fisheries Corporation (SHFC) Investor Prospectus and update from Fisheries Working Groups

Memorandum by the Chairperson of the Economic Development Committee

ADVICE SOUGHT

1. **Executive Council is asked to:**
 - a. **Endorse the Investor Prospectus, attached at Annex A, so that it can be published, in order to gain Expressions of Interest for development of a new fish processing facility.**
 - b. **Note the updates from the fisheries working groups.**
2. In October 2017 Executive Council decided that SHG should continue funding the SHFC subject to an Improvement Plan being put in place. Three working groups were set up as a result – the Improvement Plan Group, a group to consider licencing of foreign vessels, and a group to secure investment into SHFC.

BACKGROUND & CONSIDERATIONS

Improvement Plan Group Update

3. The Improvement Plan Group has met sixteen times with the first formal meeting taking place on 25th January 2018. The group has been working on trying to tackle issues across the fishing industry. It is an immensely complex task and so the work will continue into the foreseeable future, as advised at the Informal Legislative Council meeting in March 2018. However, the group and SHFC have made good progress in recent months as follows:
 - **Increased revenue.** This has been done through SHFC negotiations with buyers to achieve the best selling price; increased local market fish prices; better marketing (although the marketing of premium tuna is the next key priority for the group); and air freighting fish weekly. SHFC are continuing to seek a buyer to purchase sea-freighted premium tuna which will significantly increase revenues.
 - **Working to reduce costs.** Key examples include finding cheaper ways to dispose of fish waste, seeking zero hour contract staff and progressing the downsizing of the freezer. Costs will remain high however, until a new purpose-built factory is developed, because the factory is too large. The key focus going forward is to improve the profitability of the industry. To do this, there will

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need to be a focus on securing investment, as set out below.

- **Improving efficiency** – Developing operating framework for SHFC Board and revising membership; securing funding for consultants to improve corporate processes; and securing provisional agreement for a Business Manager post during the budget process.
 - **Commenced a pilot project in May to enable premium fish to be landed at a higher price to fishermen.** This project will pay fishermen more money to provide fish of a higher quality by adjusting their handling methods. Part of the project is expected to involve ESH support to upgrade equipment, training in new handling methods and the provision of additional crew members for a fixed period of time. It is hoped that this trial will help fishermen see the financial benefits of landing higher quality fish and the relative ease of doing it, and that this will help supply the demand for air-freighted fish. It will also demonstrate to future investors that St Helena can produce regular supplies of high quality fish.
4. ESH, International Pole and Line Foundation (IPNLF), and Blue Marine have also been supporting the ongoing work. ESH have provided funds for export boxes and the downsizing of the cold storage. The FCO have also provided funds for consultants to improve business management processes. The Improvement Plan group is also continuing to implement the SHFC Improvement Plan which was shared with Elected Members at the Informal Legislative Council meeting in March 2018, and which the Economic Development Committee endorsed in July 2018. The Improvement Plan and Financial Projections are currently being updated to reflect work already completed and will be brought to Executive Council in August.

Licensing of Foreign Vessels Working Group

5. The licencing of foreign vessels group has met three times with its first meeting taking place in late February 2018. The group is currently focused on identifying where foreign licencing could add value. Relatively slow progress has been made on this issue as many of the decisions are reliant on other factors, for example, decisions on the extent that foreign licenced vessels will be requisite in the new industry model. It is likely that this work will progress more swiftly if an investor is secured and the wider future of the industry is clear.

Investment Working Group and Prospectus

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6. The Fisheries Investment Working Group met several times since April 2018. It became very clear to the group that for the industry to move ahead, a new processing facility is required. This is not only required because the area where the existing factory is cited is going to be redeveloped into a Port area for use by HM Customs, but also for efficiency reasons and because there is no existing renewable energy solution which can be retrofitted on the existing roof. A new processing facility is required to reduce both fixed costs and energy costs.
7. SHFC on its own has neither the funding nor the ability to obtain financing for a new processing facility. There are also capacity issues, in particular the need for a number of experienced managers to support the existing management staff to develop a sustainable future for fish processing. It was therefore seen as a priority to seek expressions of interest from investors willing to develop St Helena's fish processing industry.
8. After months of hard work the Fisheries Investment Working Group have produced a detailed Investor Prospectus. This provides a significant amount of information to help investors develop a business case. The Prospectus specifies the considerations for any partner/owner going forward. For example, it is imperative that the investor buys into the sustainable one-by-one fishery story. At this stage, some criteria have been left fairly open to allow innovative ideas to come forward. Matters such as whether fish processing would be on land or sea, whether the initiative will include secondary processing, and/or freezing facilities etc. would be decided by the investor/owner.
9. The deadline for expressions of interest will be on 7th September 2018 and all interested investors are invited to St Helena to see the one-by-one fishing industry first hand. Once the expressions of interest are reviewed, a more detailed invitation to tender will be issued and the project will follow SHG's Procurement process.

FINANCIAL IMPLICATIONS

10. At this stage, Elected Members are only currently being asked to confirm support of the process to seek an investor to develop a new fish processing plant. There are no negative financial implications as a result of seeking an investor, but there are likely to be positive ones, such as the removal of the subsidy currently paid to SHFC once an investor is in place.

ECONOMIC IMPLICATIONS

11. Fisheries exports are one of the few existing exports and it is imperative for the long term economic prosperity of St Helena to grow a viable fisheries sector, and in particular support export of high grade tuna by air. Not finding an investor for fisheries will have long term impacts of increasing the trade deficit, causing an increase in imports of

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foods and substitution of local fish in diets.

CONSISTENCY WITH INVESTMENT POLICY PRINCIPLES

12. This piece of work supports the following Investment Policy Principles:

Principle 2: Encourage growth through import substitution, export promotion and domestic production.

Principle 4: Promote fair, consistent, timely and transparent decision making.

PUBLIC / SOCIAL IMPACT

13. A new investor should have a positive social and public impact by helping to ensure long term sustainability for the industry. The key considerations outlined on page 22 of the Investment Prospectus will be developed into pass/fail and scored criteria and will ensure that the investor delivers positive social impact.

ENVIRONMENTAL IMPACT

14. As long as fishing is sustainably managed there should not be a significant environmental impact. The key considerations outlined on page 22 of the Investment Prospectus will be developed into pass/fail criteria and will ensure that the investor is signed up to develop the one-by-one fishery.

PREVIOUS CONSULTATION / COMMITTEE INPUT

15. The Investor Prospectus was endorsed by the Economic Development Committee on 10th July 2018. The St Helena Fisheries Corporation Board and Fisherman's Association Committee have been consulted.

PUBLIC REACTION

16. The public are aware of the financial issues faced by SHFC. The Investor Prospectus was already mentioned in the EDC open meeting (during the agenda item entitled 'Discussion with Mr Adrian Duncan & Offshore Fishermen') on 7th June where media representatives were in attendance. The current proposal to seek investment in the fisheries sector should be welcomed by the general public as it will help to ensure a sustainable supply of fresh fish for the local market. Also, potential exports will provide a boost for the local economy.

PUBLICITY

17. A press release will be developed. IPNLF have agreed to help market the opportunity amongst the pole and line fishing community using their distribution lists. There has also been an opportunity identified to present the prospectus at a Social Impact Investor Conference. The affordability of this is being considered. Social media will also be utilised.

18. Mention of this will be made in the ExCo Report and associated radio broadcast.

SUPPORT TO STRATEGIC OBJECTIVES

19. This piece of work supports the following National Goal: *Altogether Wealthier: We will continue to invest in the agriculture and fisheries sectors*

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LINK TO SUSTAINABLE ECONOMIC DEVELOPMENT PLAN GOALS

20. This piece of work supports the following SEDP Goals:

Goal 1: Increase Exports

Goal 6: Sustain and improve our Natural Capital

OPEN /CLOSED AGENDA ITEM

Corporate Support
Corporate Services

It is recommended that this is held in open session.

LH

13 July 2018