



St Helena Government

ADVICE NOTE FOR THE ECONOMIC DEVELOPMENT COMMITTEE

ST HELENA COMMERCIAL FISHERMEN'S ASSOCIATION PETITION

1. Background

A petition led by the St Helena Commercial Fishermen's Association (SHFCA) to the Governor and Members of Executive Council was received last week requesting the termination of the current fisheries procurement process undertaken by SHG. The petition indicates that the residents of St Helena who signed are opposed to the current process being undertaken by SHG to secure a successful business/company to manage St Helena's commercial fishery.

The Governor and Members of Executive Council has received a letter from the owners of 'John Melliss Fishing Limited' who have sought to have their views represented with regards to joining the St Helena Fishermen's Cooperative (SHFCO). A copy of the letter is attached at Annex 1.

2. Available Options With Respect to the Main Request of the Petition

As a response to the petition's requests, the options available to SHG in respect of the main ask of the petition to terminate the current fisheries investment process, are as follows:

Option 1: Agree with petition and stop the investment proposal led by PQT (SH) to set up the SHFCO:

Adopting this option leaves SHG with 3 potential options to choose from to direct the fisheries sector.

Option 1 a) - SHG continues to operate the Coldstore

The annual cost to SHG for implementing this sub-option would, based on current operations, be approximately £240k per annum plus unknown asset replacement costs. This could only last for 1 or so years before a break down leaves the factory potentially stagnant without investment. Offshore fishermen will be out of work as no frozen tuna would be exported and therefore no export income

would be realised. The 11 commercial inshore fishermen would continue to be restricted in their fishing catch efforts and income due to the competition between them to supply the local market.

Option 1 b) - Ask NEWCO if they would take over the Coldstore

NEWCO was an alternative bidder in the exercise in January. NEWCO is a consortium which includes members of the SHFCA. The cost to SHG of implementing this option was proposed at £150K as an upfront Coldstore refurbishment exercise rewarding SHG with a partly upgraded factory. An additional operational subsidy of £210K per annum dropping to £116K per annum from year 3 was proposed. There was no end date proposed for the subsidy. A tuna catch of 400 mt per annum landing mostly Yellowfin (YFT) was proposed as the basis for the operation. The YFT requirement would be a change to the currently agreed Total Allowable Catch (TAC) of 300 mt for the YFT species agreed by ExCo earlier in the year. Either the TAC for yellowfin would need to increase, or NEWCO would need to target Bigeye (BET) which is largely found offshore.

In this scenario with a low annual catch limit for BET for St Helena (together with other OT's involved proposing little interest in BET fishing) potentially there could be loss of the BET quota allocation from ICCAT, which is currently 1275 mt per annum across the 4 UKOT's and is provisionally reduced to 1000mt for 2020-21.

This option would benefit some members of the SHFCA as potentially members of the Committee could be employed in posts involved in the Company.

Option 1 c) Close the Coldstore

Approximately 15 employees could become unemployed as a result of closing the processing operation. This is the cheapest cost option for SHG as there would be no subsidy, only redundancy costs. However, no export income would be generated.

St Helena would operate artisanal fishing activities selling fish from boats or small shops alongside of a small seasonal sports fishing operation.

Offshore fishermen will be out of work and possibly this would impact their investments made in their vessels.

Secondary effects of closure of the Coldstore would involve reductions in long term demand for water and electricity.

Under all 3 options it is unlikely the Island will attract any further fishing investment (unless this does not involve SHG) as SHG will be seen as a changeable and inconsistent partner.

In all cases, a science programme would not be delivered for tuna species on the Seamounts.

Option 2: Do not agree with the petition and continue with the investment proposal led by PQT (SH)

Option 2 a) Allow for the St Helena Fishermen's Co-Operative (SHFCO) to be set up and operate

The St Helena Fisheries Sector Strategy (SHFSS) 2016-2025 has as its long-term vision: ***'to have a safe, sustainable and environmentally friendly fishing industry that is locally owned and operated and makes a significant contribution to the local economy by producing high quality products for sale and export'***. The Strategy advises that in this context locally owned and operated could include joint ventures between outside investors and local businesses or individuals, to facilitate investment. Such joint ventures would require that outside investors work in partnership with local businesses.

Progressing the SHFCO proposal would require no ongoing subsidy by SHG but would enable a new business model to be tried and tested for the fisheries sector. Establishing the SHFCO owned by all of its shareholders as fishermen and operating as proposed, is an example of partnership working between investors and local fishermen as required above.

The SHFCO proposal is further aligned with the SHFSS Headline Objectives as follows:

- a. *'Determine the extent and sustainability of St Helena's fisheries resources'*.

St Helena's Category V1 MPA is a protected area with sustainable use of natural resources but as yet St Helena does not know what are sustainable levels of exploitation of its marine resources are that should be managed through its recreational and commercial interests .

The SHFSS states that in this respect of the above objective it is important to determine the extent of the Island's fish resources through fishing in new areas (particularly around the Cardo Seamount), and the potential sustainable harvest. Encouraging and facilitating a tuna science programme for the Island's important tuna species involving dedicated annual tagging at the Seamounts over the next few years, to understand if offshore commercial fishing is viable through stock assessments and increased fishing effort, is an important part of achieving this objective. A continued tuna science programme will assist St Helena to improve the robustness of its stock assessment data and findings

for these important species and help to inform both environmental sustainability limits and potential developmental opportunities for the tuna fishery.

- b. *'Ensuring the processing plant is fit for purpose and able to become profitable'.*
- c. *'Develop economically viable plans for improved products and secondary processing for local and export markets'.*

The SHFSS acknowledges that developing improved export products and secondary products require investment in infrastructure and equipment and may only be viable if the catch volume is increased significantly. An upfront investment by SHG of £300K-500K would reward the fisheries sector and SHG with an upgraded Coldstore and assets which it is able to lease out to underpin a restart of commercial fishing and fish processing and marketing operations, thus improving export income and supporting all commercial fishermen and their fishing investments. The upgrade involves the potential for the current R22 gas to be replaced and a safe and environmentally friendly replacement installed for the future.

- d. *'Increase local fishing capacity'.*

The SHFSS states that for the sector to develop and be profitable in the long-term, fish catches will need to increase sustainably, but will require greater fishing effort by the existing vessels and, ideally the adding of further vessels. If the local fleet are not able to catch sufficient fish to ensure a profitable processing operation, the Strategy recommends that licensing of up to 2 foreign vessels should be considered subject to investigations into the sustainability of the available resources.

The SHFCO proposal provides for this increased catching capacity through local registration of up to 3 pole and line vessels of a size that is consistent with the Extractor fishing vessel and encouraging improved use of the Extractor for commercial fishing. Increased fishing efforts on the Seamounts through establishment of the SHFCO will allow offshore fishing operators to continue to work and support investments made in offshore operations as well as allowing inshore fishermen increased opportunity to participate seasonally or otherwise, in crewing offshore vessels to improve their experience and income from fishing.

There are a number of other aspects to also consider with progressing the SHFCO proposal.

The factory currently uses R22 gas for refrigeration. Part of the refurbishment works will look to replace that gas with a more environmentally friendly alternative.

Furthermore, after a period of operation, there is the intention to consider construction of a new fish processing factory. With the SHFCO in place, it is possible that this factory can be financed privately. Under Option 1, however, private investment in a new factory would not be forthcoming.

The most significant negative to Option 2 is the volume of lobbying which would be expected to persist, particularly by members of NEWCO and potential other bidders whose proposals were rejected as part of the process in January. A number of residents, some Saints overseas and some members of the SHFCA would be vocally unhappy if the SHFCO investment proposal continues. SHG and Elected Members could continue to receive communications from the SHFCA lobbying for the process to be halted or to report perceived incorrect or unfair practices being carried out with respect to progressing the investment proposal.

3. Other Requests of Relevance Included in the Petition

a. Stop the conflicts of interest

Unlike the NEWCO investment submission where the SHFCA are directly involved in and have potential to benefit from the proposal, SHG personnel does not have a conflict of interest in the SHFCO as no member of staff stands to personally benefit from the investment proposal.

b. Stop the exclusion of local fishermen

The SHFCO proposal leaders (PQT (SH)) has sought to involve all local commercial fishermen in their investment through public invite to join the SHFCO and become a part of the proposed fishing activities and operation of the SHFCO . Some have agreed to join, some are considering the offer and others have decided not to join.

c. Stop the threats to our local food security

The establishment of the SHFCO will assist St Helena to explore and determine if there is indeed a real opportunity in the medium and long terms to establish and sustain a viable fishing sector, which in turn will inform St Helena's future prospects for food security through its local fish resources.

d. Stop the non-science based decision making

The SHFCO proposal will allow fishing to be undertaken within parameters of science that already exists for the tuna fishery, however, in addition it provides opportunity to help St Helena achieve the

science it requires for the BET species as well as continued monitoring for the YFT to improve the robustness of its science-informed decision making for the tuna fishery.

e. Stop the threats to local livelihoods

The current fishing situation for commercial fishermen based on an arrangement of 'SHG subsidised processing and fishermen responsible for their fish sales' restricts their fish catching and income potential. This restriction exists due to fishermen only being able to supply the local market and the competition experienced between fishermen to meet local demand. Two offshore commercial fishing vessels are not able to undergo viable offshore fishing as a result of this. In addition, 13 processing staff and 2 management staff are currently on a short-term contract to 2020 and their continued employment at the Coldstore beyond this period is unknown.

The SHFCO proposal includes a change from the current position and although a quota system for fish catches will be implemented per fishing vessel, this will be an improvement for local fishermen through their ability to increase catches and sell some/all of their catch to the SHFCO for local and export markets. The SHFCO proposes to also buy fish from the sports fishing operators as well, thus improving prospects for their sustainable livelihoods as well if this is implemented.

Should the current situation for commercial fishermen continue or alternatively, it comes to an end at the end of 2020 through the closure of the Coldstore, it means either of the two situations involves a greater threat to local livelihoods than if the SHFCO is established and become operational for a 2 year period and beyond.

All vessel owners are being invited to become partners in the SHFCO, therefore giving them the opportunity to obtain revenue from fish sales reflective of the market price. These gains would support local livelihoods.

f. Stop the lack of openness and transparency

There has been openness and transparency with elected members with regards information required for the required levels of EDC and ExCo decision-making; with the public in providing the information required at the various stages of discussion where this has been appropriate to do so, however at times information has had to be delayed in its dissemination to stakeholders and the public and until discussions between SHG and PQT (SH) had progressed sufficiently, or due to its sensitivity.

4. Advice and Recommendation

The PQT (SH) fisheries investment proposal is aligned with the SHFSS vision statement and a number of its related objectives as highlighted above. EDC should **note** the following:

- the current SHG process being implemented via an MoU with PQT (SH) to reach the stage of being able to deliver the proposal does not involve conflicts of interest.
- the investment proposal provides opportunity for all local fishermen to be involved in the establishment and operation of integrated fishing and fish processing industry.
- the investment proposal provides opportunity to improve the contribution made by fish resources to our food security.
- licensing of fishing operations under the investment proposal has been informed by scientific activities and information for the St Helena fishery where this is available. Where scientific information can be improved, the investment proposal will enable the improvement of that information.
- livelihoods for local fishermen and Coldstore staff will improve through the investment proposal when compared to the current situation being experienced for commercial fishing and employment at the Coldstore. The investment proposal in particular provides opportunities for offshore fishermen.
- the bid by PQT(SH) was the only investment proposal which did not require ongoing subsidy. Saving in subsidy can be used to finance alternative government services.
- openness and transparency arrangements are in place as part of undertaking the process to deliver the work streams to bring the investment proposal to fruition. As the process continues it is proposed for further information to be provided to stakeholders and the public.

EDC is therefore advised that the fisheries investment proposal as is currently being progressed by SHG and PQT (SH) on behalf of St Helena and the fisheries sector should continue.

ANNEX 1

Ladder Hill

26th August 2020

HE Governor in council

Castle

Jamestown

Dear Governor Rushbrook and Executive Council

We would like to inform you that we have joined the St Helena Fishermen's Cooperative (SHFCO) and we are very grateful to SHG for making this possible with securing our share into SHFCO with regards to the £500,000. Therefore we would like our views to be equally heard and taken into consideration please.

We have made a huge investment into the fishing sector and we are looking forward to starting this new venture, which is a positive move for our business 'John Melliss Fishing Limited'. Joining the SHFCO is a risk for all parties involved including PQ trading, but we are willing to take this risk together. There are huge benefits for our business joining SHFCO:

- Opportunity to work together as one business
- Being directly involved in the decision making process of SHFCO
- Receive qualified training to grade fish and produce top quality for the premium markets
- Opportunity to work on board the large offshore fishing vessels and learn from skippers on how to operate these vessels, how to use sonar, how to manage a big crew
- Opportunity to buy shares in the offshore vessels
- Prices for our fish will fluctuate according to the current market, potential to earn more than previous 90p per kilo.
- Opportunity to be paid for our contributions should the company make a profit
- Opportunity to support the blue belt programme with the science. To better understand our fish stocks and their biomass at the seamounts.
- Opportunity for the youth (my son) of St Helena to aspire to operating and working on board these large offshore vessels and potentially running the fishing industry
- To police our own seamounts with the offshore vessels fishing the seamounts around the clock, to deter illegal fishing in our 200 EEZ.

Some of the benefits for the island to name a few:

- All of the fish caught in our 200 EEZ will go through the SHFCO, increasing the island's revenue
- The factory will employ 23 staff, majority will be local Saints, who will work with qualified tuna graders to ensure premium quality
- The offshore fishing vessels will employ 36 crew (12 on each boat)
- Aim to sell fish to the local community at an affordable cost
- Sustainable fishing method, one by one will be used by all fishing vessels.

We would like to inform you that the St Helena Commercial Fishermen's Association (SHCFA) did not represent the fishermen who wanted to reach out to the investor to learn more about the SHFCO. Therefore in April 2020 we terminated our SHCFA membership because we wanted to communicate freely with PQ Trading. Since then we have shared information, organised a skype session at the Canister and a meeting with the councillors for the fishermen who wanted to learn more about SHFCO and show their support towards the new venture.

We strongly disagree with the SHFCA petition to terminate the current fisheries procurement process. Since the closure of St Helena Fisheries Corporation in January 2020, our business 'John Melliss Fishing Limited' has ceased operations and our family's livelihood has suffered. Our business cannot currently operate with no local markets available to sell our fish. At the end of the day it is all of the fishermen's livelihoods and businesses at stake. Therefore, the petition should not influence a decision to get the whole procurement process thrown out, which will have a detrimental effect on all of our fishing businesses and our families.

St Helena has a small fishing community and ideally we should all be working together, but fishermen have a choice to either join SHFCO or not. The SHFCO will purchase and process all of the local fishermen's fish (even non-members), therefore this venture should not cease if some fishermen decide not to join. We sincerely hope that Elected Members will support the St Helena Fishermen's Cooperative and give this venture the green light to commence as soon as possible before we miss our next fishing season in February 2021.

Yours sincerely

Dorian and Christine Caswell

John Melliss Fishing Limited