

## Open Agenda

Copy No:

No: 70/2020

### Memorandum for Executive Council

**SUBJECT**

#### St Helena Commercial Fishermen's Association Petition

Memorandum by the Chairman of the Economic Development Committee

**ADVICE SOUGHT**

- 1) **Executive Council is asked:**
  - a. **To consider the Petition from the St Helena Commercial Fishermen's Association entitled "Fishing is Everybody's Business" Annex A and Annex B;**
  - b. **To consider the Advice Note and options to respond to the Petition attached in Annex C and recommendation from the Economic Development Committee;**
  - c. **To advise on the response to the Petition.**

**BACKGROUND & CONSIDERATIONS**

- 2) The St Helena Commercial Fishermen's Association (SHCFA) launched a Petition entitled "Fishing is Everybody's Business" to "terminate the current fisheries procurement process undertaken by St Helena Government." The formal submission of the Petition to Governor in Council took place on 24 August 2020.
- 3) Despite the Petition referring to a "procurement process", there is no procurement process currently in place with regard to commercial fish processing. The original procurement that commenced in 2019 was closed due to none of the bids received fully complying with the tender criteria. For avoidance of doubt, it is assumed that the reference to the "procurement process" refers to the current work being undertaken by SHG to facilitate the investment by PQ Trading STH (Pty) Ltd.
- 4) This investment proposal follows SHG's request for Expressions of Interest for an alternative business model for fish processing and sales on St Helena. Executive Council on 25 February 2020 agreed in principle to PQ Trading STH (Pty) Ltd.'s investment proposal to develop the St Helena Fisherman's Co-Operative (SHFCO) to undertake fish processing operations on St Helena. A Project Board, established to facilitate the investment, has supported the investor and local stakeholders with various aspects to make the investment a reality.
- 5) The Petition requests the Governor and Members of Executive Council to "terminate the current fisheries procurement process undertaken by St Helena Government." and states that "We, the undersigned residents of St Helena Island, are opposed to the

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*current investment procurement process being undertaken by the St Helena Government to secure a successful business/ company to manage St Helena's commercial fishery."*

- 6) In addition the Petition requests His Excellency the Governor and Executive Council to stop the:
  - a. Conflicts of interests;
  - b. Exclusion of local fishers;
  - c. Threats to our food security;
  - d. Lack of openness & transparency;
  - e. Non-science based decision making;
  - f. Potential violations of Human Rights;
  - g. By 'invite only' commercial venture; and
  - h. Threats to local livelihoods.
- 7) The SHCFA has stated that the Petition has 1,191 signatures from on-Island residents and 228 from overseas. The main request from the Petition is for the St Helena Government to terminate the current fisheries investment process.
- 8) The Economic Development Committee (EDC) considered the Petition and Advice Note (Annex C) at their meeting on 24 September 2020. Two options were considered to respond to the Petition request with three sub-options under Option 1 and these are outlined with the associated implications in the attached Advice Note and are as follows:

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

  - a. SHG continues to operate the Cold store; or
  - b. Ask NEWCO (alternative bidder) if they would take over the Cold store; or
  - c. Close the Cold store; or

**Option 2:** Do not agree with the request outlined in the petition and continue with the investment proposal led by PQT (SH).
- 9) A letter from the Chairman of the EDC (Annex D) and a copy of the Open Agenda minutes (Annex E) outlines the recommendation of the EDC. Attached to the letter in Annex D is a statement from a member of the EDC that accompanies their recommendation.
- 10) In summary the EDC recommended that the current process to facilitate the investment proposal from PQT (SH) should continue however, they also recommended that a representative from SHCFA and a representative from the group of fishermen who supports the setup of SHFCO, should also join the Project Board that are supporting the investment proposal.

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- 11) There are a number of factors to consider in relation to the caveat placed on the recommendation from the EDC that there should be additional membership on the Project Board from the local fishing community. These are as follows:
- a. What benefit would be derived from having these representatives directly on the Project Board that cannot be achieved through other means?
  - b. The availability and willingness of those individuals to participate and represent the interests of the respective parties they would represent.
  - c. Project Board membership is set out in the MOU and would require a variation of the MOU for this to happen.
  - d. How will conflicts and commercial confidentiality be managed with direct representation on the Project Board.

### FINANCIAL IMPLICATIONS

- 12) There are financial implications associated with each of these options and these are highlighted in the Advice Note and are summarized below:

**Option 1a.** Will mean that SHG continues to subsidise fish processing and operation without export at a cost of approx. £240,000 per annum plus any unknown asset replacement costs.

**Option 1b.** Will mean SHG continues to subsidise fish processing via another entity at approx. £210,000 per annum reducing to £116,000 from year 3 and will require an upfront investment in the factory of £150,000.

**Option 1c.** Will mean that SHG does not provide a subsidy for fish processing so there are no direct cost to public funds.

**Option 2.** Requires an upfront investment of £300,000-£500,000 into upgrading the factory plus some key assets which SHG will retain ownership of but lease to the company. There will not be an ongoing subsidy requirement.

### ECONOMIC IMPLICATIONS

- 13) Option 2 which aims to bring the fishing industry on to a breakeven/profit making basis without the need for a government intervention through subsidy is positive for the local economy. Increasing exports of fish has a positive effect on the balance of trade and means that more money is coming into the Island and supports the goals under the Sustainable Economic Development Plan (SEDP) 2018-2028. This is also good for employment and ensures that those employed within the sector continues to be employed.
- 14) Putting a stop to the current investment process means that the Island loses the opportunity to develop the fishing industry from a highly subsidised industry to one that potentially can breakeven and make a profit.

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### CONSISTENCY WITH INVESTMENT POLICY PRINCIPLES

15) Option 2 is consistent with the following Investment Principles:

1. Make St Helena a desirable and competitive destination to do business by removing barrier to investment.
2. Encourage growth through import substitution, export promotion and domestic production.
3. Support an economy which is accessible to all potential investors and promote investments across the economy.
4. Support the locally based private sector to compete in an open economy but, where possible, avoid being overly protective.
5. Promote fair, consistent and transparent decision making.

### PUBLIC/SOCIAL IMPACT

16) 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”.

17) Stopping the current investment process and closing the Cold Store under option 1c. will have an impact on the availability of fish on the Island and result in zero export of fish. Although options 1a and 1b will mean that fish is available to the local market these options will continue to require an annual subsidy which means that resources will have to be diverted from other public services in order to provide that subsidy. Option 2 provides the means for the availability of fish for the local market as well as having no ongoing impact on public funds through ongoing subsidy.

### ENVIRONMENTAL IMPACT

18) In deciding which course of action to take, it should be borne in mind that no option should lead to unsustainable fishing, as a result of industry quotas. Whilst more fish would be caught under option 2, this option is intended to incorporate a tuna science programme that will gather data and information on the Bigeye tuna population to inform a sustainable tuna fishery going forward.

19) The factory currently uses R22 gas for refrigeration. Option 2 through the refurbishment works will look to replace that gas with a more environmentally friendly alternative.

### PREVIOUS CONSULTATION/ COMMITTEE INPUT

20) The EDC has considered the Petition and recommended that the current process to facilitate the investment proposal from PQT (SH) should continue however, they also recommended that a representative from SHCFA and a representative from the group of fishermen who supports the setup of SHFCO, should also join the Project Board that are supporting the investment proposal.

### PUBLIC REACTION

21) There is a considerable amount of public interest in this issue given that the Petition was signed by a good proportion of the public.

22) It is expected that there will be mixed reaction from the public regarding this decision. Regardless of what decision is made there will be those that will have positive and negative reactions to the

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decision.

23) Fishermen are key stakeholders in this decision and although the Petition reflects the views of the SHCFA and some other fishermen, it does not reflect the views of all fishermen and the letter from owners of John Melliss Fishing Limited attached to Annex C demonstrates that some fishermen have a different point of view and would wish for the current investment process to continue.

### PUBLICITY

24) Executive Council's decision should be covered in the media briefing following the meeting. As mentioned there is considerable public interest in this issue and separate publicity should also be considered through the form of a press release or radio interview explaining the reasons for ExCo's decision and also next steps.

### SUPPORT TO STRATEGIC OBJECTIVES

25) This paper is relevant to the *Altogether Wealthier* goal and Strategic Objective 3.1 *Ensure sustainable economic development*

### LINK TO SUSTAINABLE ECONOMIC DEVELOPMENT PLAN GOALS

26) Option 2 supports the following SEDP goals:

1. Increase Exports
2. Substitute imports
8. Develop, maintain and attract a skilled workforce
10. Reduce leakage of income

**LAH**

### OPEN/CLOSED AGENDA ITEM

27) Recommended for the Open Agenda.

Corporate Support  
Corporate Services

**5<sup>th</sup> October 2020**

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