



St Helena
Government

AUDIT SAINT HELENA
PERFORMANCE AUDIT: FISHING OPERATIONS
AGREEMENT, MARCH 2025

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AUDIT ST HELENA
External Auditors

Performance Audit:

Fishing Operations Agreement

March 2025

Audit St Helena is the body that carries out financial and performance audits of St Helena Government on behalf of the Chief Auditor.

The Chief Auditor is a statutory position required by the Constitution of St Helena (Section 110). The Chief Auditor's responsibilities are set out in the Constitution and the Public Finance Ordinance. Section 29(2) of the Ordinance requires the conduct of performance audits on behalf of the Legislative Council to determine whether resources have been used with proper regard to economy, efficiency and effectiveness.

This report has been prepared in accordance with section 29(2) and published by the Chief Auditor, Brendon Hunt. The Chief Auditor was assisted in the preparation of this report by Prime Risk & Advisory Services and Performance Audit Manager David Brown.

CONTENTS

ABBREVIATIONS	4
SUMMARY	5
PART ONE: INTRODUCTION	7
BACKGROUND	7
FOCUS OF THE AUDIT	10
PART TWO: THE FISHING OPERATIONS AGREEMENT	11
EVALUATION OF THE AGREEMENT'S PERFORMANCE	12
FISHING OPERATIONS JOINT VENTURE CONTRIBUTION	12
SHG RESPONSIBILITIES	17
STC RESPONSIBILITIES	19
OTHER MATTERS FOR CONSIDERATION	20
PART THREE: FISHING ECONOMIC INDICATORS	25
CONCLUSION	26
APPENDIX ONE: OUR APPROACH AND EVIDENCE BASE	29
APPENDIX TWO: LIST OF RECOMMENDATIONS	31

ABBREVIATIONS

EEZ	Exclusive Economic Zone
ENRP	Environment, Natural Resources and Planning
FV	Fishing vessel
ICCAT	International Commission for the Conservation of Atlantic Tunas
MCA	UK Maritime and Coastguard Agency
MFV	Motor fishing vessel
MOU	Memorandum of understanding
Mt	Metric tonnes
PQTSH	PQ Trading STH Limited
SHFC	St Helena Fisheries Corporation
SHG	St Helena Government
STC	Saints Tuna Corporation
TAC	Total allowable catch

SUMMARY

St Helena's fishing industry has been plagued with problems throughout much of its history. This caused the St Helena Fisheries Corporation (SHFC) to rely on subsidies from St Helena Government (SHG) for it to provide a service to local fishermen through buying, processing and selling fish to the local and export market. As the magnitude of those subsidies grew over the years, Executive Council decided in December 2019 to close SHFC until a long-term solution could be found. In February 2020, SHG announced that a preferred investor had been identified – PQ Trading STH Limited (PQTSH) – which led to the signing of a lease agreement for the Fish Processing Plant and a separate Agreement Relating to the Establishment of Fishing Operations in St Helena (Fishing Operations Agreement) in April 2021. SHG and PQTSH partnered in a joint venture to establish a local legal entity called Saints Tuna Corporation (STC).

A performance audit was commissioned by the Chief Auditor to determine whether SHG has unlocked the full economic benefit of its investment in the fish processing facility. The Fishing Operations Agreement was identified as being the vehicle through which the return on investment in the facility upgrade would be unlocked and therefore the parties to the agreement should be focused on its implementation. The primary purpose of the audit was to determine if (1) the agreement met its stated targets and (2) the investment from the agreement's partners added value to the fishing industry.

Evaluation of the Fishing Operations Agreement's Performance

1. Fishing operations joint venture contribution
 - (a) On behalf of the local fishermen SHG invested a total of £500k to refurbish the Fish Processing Plant for use by STC. SHG retains ownership of the plant and its capital equipment.
 - (b) PQTSH has contributed total assets worth approximately £341k. This includes the recent purchase of a £216.5k fishing vessel that PQTSH brought to St Helena in February 2025. Prior to that PQTSH had attempted on multiple occasions to procure a vessel for the purposes of the venture through a charter arrangement, but this failed for various reasons, including the requirement for PQTSH to register its vessel(s) in St Helena that SHG interprets as incorporated in the Fishing Operations Agreement by reference from an earlier Memorandum of Understanding (MOU).
2. SHG responsibilities
 - (a) Exploratory licence – none have been issued to PQTSH or STC, as neither entity had applied for one by the end of February 2025.

- (b) Access to fisheries – can be granted only after scientific studies have been performed by STC under an exploratory licence.
- (c) Commercial fishing licence – fishing quota has been allocated for offshore fishing once STC has a licenced vessel.
- (d) Foreign fishing vessels – no foreign fishing vessels have been given fishing licences due to STC's exclusive rights.
- (e) Scientific data and evaluation – no scientific work has been undertaken.

3. STC responsibilities

- (a) Purchase of fish from non-members – opportunity offered to all fishermen through the STC Operational Policy issued in August 2022.
- (b) Sale of ice to non-members – sale of ice to all fishermen is occurring.

Other matters for consideration include ambiguity in the Fishing Operations Agreement and an incomplete termination clause. Further, key infrastructure in the form of a culvert near the Fish Processing Plant is currently not fit for purpose, which is preventing STC from exporting fish to foreign markets and thus threatening the viability of the joint venture between SHG and PQTSH. Despite the agreement's requirement for timely resolution via consultation followed by escalation to independent representatives, this has not occurred and the issue remains unresolved after 16 months.

Our full Conclusion appears on pages 26-28.

Our recommendations as found throughout the report are listed in Appendix Two on page 31.

PART ONE: INTRODUCTION

BACKGROUND

Since the 1960s several initiatives in St Helena have sought to increase the quantity of fish caught and to develop export markets for the product. None of these proved particularly successful and the island continued to struggle to have an economically viable fishing industry. By the late 2010s St Helena's fishing fleet comprised approximately 13 small full or part time inshore fishing vessels and 3 larger vessels capable of fishing the offshore seamounts where the biggest fish are generally caught. An array of tuna species as well as coastal species for the local market was processed at a cold store in Lower Rupert's Valley.

After the departure of a foreign investor in 2015, a SHG-owned entity, the St Helena Fisheries Corporation (SHFC), took over the running of the cold store with a view to the facility being used more widely for chilled and frozen storage as well as continuing to serve the fishing industry. SHFC received cumulative subsidies of approximately £1.387 million in the 5 years up to and including FY19/20 to pay for high electricity costs and purchase vital equipment, but was technically insolvent by that date with liabilities exceeding its assets.

In October 2019, Executive Council discussed the option of an alternative business model for processing and selling fish on St Helena, with a view to curtailing the losses incurred by SHFC and reducing the subsidy provided to it by the government.¹ Then, in December 2019, SHG informed the public that SHFC would cease to operate in its current form at the end of January 2020.²

On 28 February 2020, SHG announced that PQ Trading STH Limited (referred to in this report as PQTSH) had been endorsed as the investor to undertake fish processing operations in St Helena.³ The public was advised that commercial fishing, marketing and supply chain activities would be undertaken collectively as one co-operative. This model was proposed to deliver a safe, sustainable and environmentally friendly fishing industry that would make a significant contribution to the local economy by producing high quality products for sale and export. The model was also to focus largely on fishing at seamounts, including exploratory licencing of fishing at the Cardno seamount, to develop a profitable enterprise that would require no annual subsidy to operate.

¹ <https://www.sainthelena.gov.sh/2019/press-releases/alternative-business-model-for-fish-processing-and-sales-on-st-helena/>

² <https://www.sainthelena.gov.sh/2019/press-releases/fish-processing-and-sales-on-st-helena-next-steps/>

³ <https://www.sainthelena.gov.sh/2020/news/investor-to-undertake-fish-processing-co-operative-on-st-helena-announced/>

Furthermore, the co-operative intended to work with the SHG Marine Team to continually improve science on catches and reduce the risk of over-exploitation. PQTSH's proposal had been assessed on various areas such as environmental, technical, financial robustness and viability. It impressed SHG because of the provision of upfront investment, the collaborative approach with local commercial fishermen, the breadth of experience on offer and the fact that there was no requirement for ongoing government subsidy to support operations.

In May 2020 SHG and PQTSH signed a Memorandum of Understanding (MOU) Relating to the Establishment of Fishing Operations in St Helena which set out key objectives of the project, principles of collaboration, governance structures to be put in place and the respective roles and responsibilities the parties would have. This MOU was later referenced in the April 2021 Fishing Operations Agreement along with several other important documents including PQTSH's Investor Proposal. Although section 11 of the MOU states that it is not intended to be a legally binding document, and no legal obligations or legal rights arise between the parties, it did establish the key activities that needed to be completed including the finalisation of both the lease and the Fishing Operations Agreement between SHG and the future co-operative that would ultimately become Saints Tuna Corporation.⁴ STC is a limited liability company whose articles of incorporation, dated 12 January 2021, state that the share capital was initially issued with 100 ordinary shares allocated to the local fishermen and 100 preference shares issued to PQTSH.

In March 2021 SHG issued a press release confirming the intent to sign (1) a 10-year lease between SHG and STC for the Fish Processing Plant and (2) a Fishing Operations Agreement to govern the relationship between those parties together with locally registered investor PQTSH.⁵ STC comprised eight local commercial fishermen as shareholders, together with PQTSH. Under the agreements, SHG committed to providing £500k in capital funding towards the refurbishment of the Fish Processing Plant to a standard acceptable for delivering fish to both the local and export market. The conditions attached to this investment were that PQTSH would match SHG's capital funding through the procurement of offshore vessels to fish commercially, while also undertaking exploratory fishing and collecting scientific data at the seamounts in St Helena's exclusive economic zone (EEZ) for

⁴ In addition to not being a legally binding document, it is unclear how long the MOU remained in force. Section 8.1 of the MOU states that it "shall commence on the date of signature by both parties, and shall expire on completion of the Project". But section 8.3 adds that the MOU "will expire after 3 months unless extended by the Project Board for subsequent periods of 1 month per extension". Neither senior SHG officers nor a PQTSH/STC director who were board members could confirm that the MOU had ever been formally extended, which means that it may not have been in force at the time its requirements for, e.g. vessel registration were incorporated by reference into the Fishing Operations Agreement.

⁵ <https://www.sainthelena.gov.sh/2021/news/shg-take-a-significant-step-towards-securing-a-positive-future-for-the-islands-fishing-sector/>

submission to international regulatory bodies and to determine further sustainable catch limits.

On 30 April 2021, a further update was provided by SHG announcing that the lease and agreement had been signed, and STC was planning to assume control of the plant from 1 June 2021 to provide fish processing for the island. STC would commence the SHG-funded refurbishment of the plant that month. Another announcement made by SHG in collaboration with STC came in February 2022 regarding a delay to the refurbishment caused by the later-than-expected delivery of the containerised blast freezer.⁶ It confirmed that the refurbishment period was originally planned to end at the close of February 2022 but commissioning of the plant was dependent on several external factors, including the installation and commissioning of the freezer. Ultimately STC completed the refurbishment of the Fish Processing Plant in August 2022.

FIGURE 1: FISH PROCESSING PLANT IN LOWER RUPERT'S VALLEY



Source: Audit St Helena

⁶ <https://www.sainthelena.gov.sh/2022/news/fish-processing-factory-refurbishment-project-update/>

FOCUS OF THE AUDIT

This audit aims to address the following questions:

1. What was the value of both parties' (SHG and STC) contribution to the fishing operations joint venture and did these contributions meet the requirements of the Fishing Operation Agreement's concept (preamble B)?
2. Has SHG complied with its contractual obligations and commitments as stipulated in section 2 of the Fishing Operations Agreement? Section 2 of the agreement covers:
 - exploratory licence,
 - commercial fishing licence,
 - access to fisheries,
 - exclusion of foreign fishing vessels and
 - scientific data and evaluation.
3. Has STC complied with its contractual obligations and commitments as stipulated in section 3 of the Fishing Operations Agreement? Section 3 of the agreement covers:
 - purchase of fish from non-members and
 - sale of ice to non-members.

PART TWO: THE FISHING OPERATIONS AGREEMENT

The Fishing Operations Agreement signed on 9 April 2021 between SHG, PQTSH and STC set expectations for the parties in the form of “Obligations, Responsibilities, Commitments and Conditions” that covered the following topics, amongst others:

- Equitable capital contributions by all members (joint venture capital contribution).
- Fishing licencing requirements and applicable quotas (exploratory and commercial licencing).
- Protection from over-exploitation (exclusion of foreign fishing vessels).
- Enabling science-based decision making (scientific research and evaluation).
- Access to fishing after scientific determination (licencing after research).
- Access to export market (fish sales).
- Access to services that enable fishing (ice sales).

This focused performance audit aims to assess whether the Fishing Operations Agreement signed by the three parties has been implemented and has enhanced the benefits to stakeholders while reducing the costs to SHG of subsidising the fishing industry.

Benefits to the stakeholder(s) could include:

- Bigger quota allocation due to the scientific results obtained.
- Specific offshore tuna quota allocations as a result of additional scientific results.
- Opportunities for offshore fishing for local fishermen.
- Responsible fishing due to enhanced knowledge of the fishing population.
- Responsible fishing through discouraging fishermen from catching juveniles.
- Better buying prices through access to the direct export market.
- Promotion of fishing through the availability of ice.
- Less over-exploitation of fishing resources (illegal fishing) through the frequent presence of licenced fishing vessels.
- An end to public funds subsidising fishing operations.

EVALUATION OF THE AGREEMENT'S PERFORMANCE

FISHING OPERATIONS JOINT VENTURE CONTRIBUTION

1. What was the value of both parties' (SHG and STC) contribution to the fishing operations joint venture and did these contributions meet the requirements of the Agreement's concept (preamble B)?

SHG's Contribution Made on Behalf of Local Fishermen

The Fishing Operations Agreement acknowledges the nature and amount of SHG's contribution:

(B) ... It is also understood that the SHG value contribution is regarded as a non-repayable investment done on behalf of the local commercial fishermen.

2.1 SHG recognises that the STC venture is a long-term operation to pioneer, research and build the fishing and fish processing industry in St Helena. As demonstrated by SHG's investment, worth up to £500,000 in the improvement of the Rupert's Cold Store [sic]. SHG supports the STC venture, as set out in the January 2020 Proposal submitted by [PQTSH] and the January 2021 Working Group Discussion outcomes document.

SHG invested a total of £500k towards the joint venture. This refurbishment finance sum was to be paid by way of ad hoc payments to the tenant (or at the landlord's discretion directly to suppliers) for costs upon presentation of purchase orders that were approved in writing, in advance, by a project board. The total amount invested by SHG was divided as follows:

FIGURE 2: SHG INVESTMENT IN THE FISH PROCESSING PLANT

Expenditure type	Amount (£)
Capital equipment	328,436
Contracted refurbishment works	156,946
Utilities and overheads	14,576
Total amount contributed	499,958

Source: SHG

It is clear from the figure that the majority of SHG's expenditure was incurred either to purchase capital equipment or complete refurbishment works on the Fish Processing Plant, all of which is owned by SHG.

STC's Contribution

STC is a joint venture between SHG and PQTSH as capital contributions were supposed to be made towards the formation of a local legal entity. The exact nature of the contributions is not specified in the legal documents such as the STC Articles of Incorporation and Fishing Operations Agreement.

The formation of STC is based on the concept as articulated in preamble B of the Fishing Operations Agreement which states (emphasis added):

*Concept: Partnership between SHG and PQTSH. PQTSH and SHG have partnered in a joint venture whereby both partners invest of at least an **equal monetary value** in the establishment of a **local legal entity**.*

From a practical perspective, STC's financial contribution comes from PQTSH as detailed in the next section.

PQTSH's Contribution

As part of PQTSH's commitment to the Fishing Operations Agreement, they pledged to provide offshore fishing vessels that were not available locally as per their final Investor Proposal submitted in January 2020. At the time PQTSH were interested in three vessels that they proposed to bring to St Helena, namely *Oceana Topaz*, *Windhoek* and *Fred Marie*. The intention as explained by PQTSH was to procure the vessels after the signing of the Fishing Operations Agreement with SHG. As noted above the agreement was signed on 9 April 2021, more than a year after PQTSH's Investor Proposal was submitted. According to PQTSH, with the vessel buying and selling market being an active one, and with the delay in finalising the Fishing Operations Agreement, the targeted vessels were off the market by the time the agreement came into force.

In October 2022 a further attempt to procure and first attempt to register a vessel capable of offshore fishing, the *Iron Maiden*, was made by PQTSH. As SHG does not possess the capacity to survey vessels of such size, including the ability to lift them onto a wharf, the required technical assistance was rendered by the UK Maritime and Coastguard Agency (MCA) via an MOU signed with the Red Ensign Group, of which St Helena is a member. As a territory of the UK, SHG is committed to aligning itself with UK standards for the purposes of vessel inspection and determination of seaworthiness. A survey was undertaken by an appointed competent surveyor who outlined the following issues that would affect the *Iron Maiden's* registration, namely:

- Age,
- Anchor setup,

- Firefighting equipment,
- Fisherman's basic living and working conditions,
- Global Maritime Distress and Safety System,
- Hull structure and
- Stability.

Even though PQTSH highlighted that extensive work had been performed on the vessel to prepare it for registration, the MCA fishing vessel flag-in panel decided against recommending that the vessel be registered in St Helena.

PQTSH made another attempt to procure a vessel in June 2023 with the MFV *Extractor*, which was owned locally and moored in the Jamestown harbour. The *Extractor* was not registered and had not been inspected by SHG or any competent authority for several years, because the owner had not applied for a fishing licence in that time. While it was noted that no other fishing vessels in St Helena had been inspected during that interval, those vessels had remained operational. With SHG having no approved maritime inspection process for local vessels, a safety checklist was designed by SHG officials that would have enabled the evaluation of the *Extractor* in order for it to be licenced for fishing operations. However, this evaluation was stopped by the responsible Minister before it began. This action was taken because the designed safety checklist could not be substituted for the MCA's inspection process given the greater risk that the *Extractor* would face fishing in offshore waters. Specifically, St Helena has sea rescue capabilities to assist vessels that face challenges up to 60 nautical miles from its coastline, whereas the fishing licence limit is 200 nautical miles from shore. Because it was neither registered nor licenced, SHG would not allocate the *Extractor* an offshore fishing quota.

Section 37 of the Ports Ordinance, 2016 provides that regulations may be made for the better execution of the ordinance and that the scope of these regulations should include “*tests of competence to be undertaken by applicants for certificates, and conditions which may be attached to certificates issued*”. These regulations have not been put in place. As a result, the registration of vessels on island is not currently happening in accordance with established standards specific to St Helena.

Recommendation: SHG should prioritise the issuance of regulations that would give effect to the requirements of the Ports Ordinance, including vessel registration.

In January 2024, PQTSH proposed the chartering of the MFV *Bluefin*. Based on our enquiries, documentation was sent to the Head of Maritime and to the Portfolio Director for Environment, Natural Resources and Planning (ENRP) who is STC's designated liaison for SHG. A PQTSH/STC director was informed in a May 2024 letter from the Secretary to Executive Council that “[t]he due diligence exercise for

the FV *Bluefin* to assess suitability of the vessel to fish in St Helena's [Marine Protected Area] has been completed by ENRP. The assessment has concluded that the vessel is suitable to fish in St Helena, subject to registration and a fishing licence being granted". However, given that the vessel would be chartered rather than purchased, PQTSH objected to SHG's requirement (per the May 2020 MOU) to register the vessel in St Helena. In general, PQTSH argued that it was not commercially viable to purchase a vessel that could be registered in St Helena until the company knew what its total allowable catch (TAC) would be, which would be set only after it first conducted months of oceangoing research on behalf of SHG (as detailed in the next section titled 'SHG Responsibilities'). The signed Fishing Operations Agreement does not indicate a specific obligation for PQTSH to procure vessels through charter or purchase as part of its contribution to the partnership, even though this expectation had been created in the submitted Investor Proposal and signed MOU between SHG and PQTSH, which were later referenced in the agreement. But PQTSH argued that conditions had changed since the time of the MOU: for example, the annual yellowfin tuna TAC has been reduced to 300 mt for the entire fishing sector and PQTSH allocated 26 mt per annum, the latter amount not being enough to justify purchasing a vessel rather than chartering it.

According to PQTSH, despite this risk of commercial loss it ultimately decided to buy a vessel for use in St Helena. This occurred within the context of a letter sent from the Secretary to Executive Council to one of the PQTSH/STC directors warning them that "time is of the essence" and stating that "if PQT does not procure the vessels within 6 months, SHG will be entitled to treat the contractual arrangements as at an end, unless an alternative time limit can be mutually agreed". The letter was dated 31 May 2024, which would make 30 November 2024 the presumptive deadline. Eighteen days before the deadline, on 12 November, PQTSH signed an agreement to purchase the MFV *St Albatros*, a South African-flagged offshore fishing vessel with a crew size up to 12; the price when converted from Rand was £216,500. In January 2025 PQTSH completed the process to have the vessel certified for seaworthiness by the South African Maritime Safety Authority (SAMSA). The company then sailed the *St Albatros* to St Helena in February, intending to de-register it from South Africa soon after arrival.

Our analysis of SHG's Fisheries Ordinance indicates that at this point the *St Albatros* would be considered a 'local fishing vessel', which is defined in the ordinance as "a fishing vessel that is not registered but which is owned by a person who is locally resident in St Helena or a company registered in St Helena"; we confirmed that PQTSH as the *St Albatros*' purchaser of record is in the St Helena Companies Registry. Further, our analysis of SHG's Fishing Licencing Policy indicates that the *St Albatros* would be eligible for an offshore fishing licence once its owner produces a relevant certificate of seaworthiness from "an internationally recognised vessel certification authority"; we confirmed with SHG's Head of Maritime that SAMSA is such an authority. Finally, there is precedent for this

arrangement as there is currently an unregistered vessel with a local owner moored in Jamestown harbour that was licenced for offshore fishing as recently as December 2024.

Taking the purchase of the *St Albatros* into account, PQTSH has contributed total assets worth £341k, which is below the £500k that SHG contributed on behalf of the local fishermen in the form of a refurbished plant. The missing contribution in the joint venture has deprived it of important capital that could have assisted it in achieving its objectives. But more importantly, PQTSH's difficulty in procuring and registering an appropriate vessel in the nearly 4 years since the Fishing Operations Agreement was signed has fallen short of the agreement's vision for a sustainable, economically viable and self-supporting fishing industry.

Requirements in the various agreements notwithstanding, based on conversations with responsible SHG officers, crown counsel and overseas practitioners there appears to be no significant benefit – and real potential costs⁷ – in requiring a fishing vessel that is registered in a foreign port regulated by an internationally recognised vessel certification authority (e.g. South Africa's SAMSA) to de-register there and re-register in St Helena solely to be able to fish in St Helena's waters for the benefit of its economy. There is precedent for SHG to issue foreign fishing vessels and unregistered local vessels inshore and offshore fishing licences. Further, neither the UK nor other overseas territories require fishing vessels to be registered in their territories to fish in their waters.⁸ Finally, important considerations such as crew health and safety, fisheries resource management and environmental safeguards can be adequately addressed in the vessel certification (via MCA or other international authority) and fishing licencing processes.⁹

At the same time, discussions with the Minister responsible for this area indicate that there is value in having an independent assessment of a vessel's certification from specialists with more experience than St Helena's officers have reviewing such documents, similar to how the UK government reviews certain immigration documents from visitors seeking to enter St Helena. This technical assistance is available from the MCA and depending on its findings could result in a request for

⁷ For example, because the vessel was registered in St Helena, SHG was responsible for the investigation into the tragic sinking of the FV *Argos Georgia* near the Falkland Islands in July 2024.

⁸ "Territory Governments have between them a wealth of experience in delivering successful economic diversification, which the UK Government encourages the Territories to share with each other. The Falkland Islands, for example, has experience of establishing a system of fishing licences from which Territories with under-exploited fisheries can learn." UK Foreign and Commonwealth Office, *The Overseas Territories: Security, Success and Sustainability* (June 2012).

⁹ For example, section 16 of SHG's current Fishing Licencing Policy states that one typical specification in an inshore commercial licence is "health and safety conditions" while an offshore licence will specify "health and safety and appropriate crewing conditions to protect crews human rights" [sic]. However, the Portfolio Director of ENRP told us this is not done in practice because a maritime authority advisory board advised his department that crew health and safety matters would be more appropriately regulated through other means, such as vessel safety licencing.

physical inspection of the vessel by the MCA or other registered surveyors that would be at the owner's expense. The Minister further stated that it would provide a layer of additional assurance that is critical for ships and their crews fishing far outside of SHG's 60-mile sea rescue range and reiterated that PQTSH had committed to registering a vessel in St Helena in the May 2020 MOU.

SHG RESPONSIBILITIES

2. Has SHG complied with its contractual obligations and commitments as stipulated in section 2 of the Fishing Operations Agreement? Section 2 of the agreement covers:
- exploratory licence,
 - commercial fishing licence,
 - access to fisheries,
 - foreign fishing vessels and
 - scientific data and evaluation.

Issuance of Exploratory and Commercial Licences

The Fishing Operations Agreement requires the awarding of exploratory fishing licences as one of its major outcomes. The exploratory licences would (1) help determine, through scientific research, the actual population of two tuna species (bigeye and yellowfin) and an appropriate total allowable catch for bigeye tuna, and (2) update existing information to determine if the TAC for yellowfin tuna should be changed. Having more regional data reduces reliance on a global figure prescribed by the International Commission for the Conservation of Atlantic Tunas (ICCAT).¹⁰

The issuance of exploratory licences is guided by requirements in the Fishing Licencing Policy, section 9. Based on our enquiries with the Portfolio Director for ENRP and documentary evidence, an application for offshore exploratory and commercial fishing licences was submitted in January 2021 by PQTSH but the licences could not be issued because PQTSH did not yet have a vessel for offshore fishing.

The Fishing Operations Agreement, paragraph 2.2, provides for PQTSH to be allocated a maximum exploratory licence quota of 548 mt as its TAC for bigeye tuna as long as St Helena maintains its portion of the overall UK Overseas Territories quota, which was 1000 mt as set by ICCAT at the time of the agreement.¹¹ To pave the way for the necessary allocations, Executive Council agreed exploratory fishing

¹⁰ The International Commission for the Conservation of Atlantic Tunas, formed in 1966, is an inter-governmental fishery organisation responsible for the conservation of tunas and tuna-like species in the Atlantic Ocean and its adjacent seas. See <https://www.iccat.int/en/> for more information.

¹¹ ICCAT recently increased this to 1,575 mt.

TACs of 600 mt for bigeye tuna and 300 mt for yellowfin tuna for the entire fishing sector. We obtained the quota allocations for bigeye tuna from the Chief Fisheries Officer and confirmed that PQTSH was allocated 590 mt for 2021 and 2022. As noted above, PQTSH was allocated 26 mt of the fishing sector's 300 mt yellowfin tuna TAC.

Even though a provision to allocate PQTSH a fishing quota was made by SHG from the time the agreement was signed, no vessel has been provided for that to occur. As stated above, the granting of a licence to PQTSH had an interdependence, which was that SHG (via the MOU) required PQTSH to have a certified vessel registered in St Helena. Thus, in line with the applicable regulatory provisions, SHG did not fail in its responsibility to provide the required exploratory and commercial licences as the requirement for a registered fishing vessel had not been met by the applicant (PQTSH).

Access to Fisheries

The Fishing Operations Agreement required that, based on the outcome of scientific data collected during 2 years of exploratory fishing consistent with paragraph 2.2, the total allowable catch for bigeye and yellowfin tuna would be determined within the UKOT's allocations as set by ICCAT. If the outcome shows that St Helena waters have sufficient populations, under paragraph 2.5 STC will be allowed to commercially fish the offshore territory for the remaining duration of the contract. Access to fisheries has not yet been determined as the 2-year exploratory licence period has not occurred. An application to conduct research on bigeye tuna on behalf of ENRP that was approved by the St Helena Research Institute has also since lapsed, but according to the Chief Fisheries Officer a new application has been recommended for approval.

Foreign Fishing Vessel

Paragraph 2.6 of the Fishing Operations Agreement states that, subject to the Fishing Licencing Policy, SHG shall not allow any foreign fishing vessel to fish the offshore fishing zone while SHG is in partnership with STC. We inspected the fishing licence allocation and the actual licences awarded to confirm that foreign fishing vessels have not been given access to fish in the offshore fishing zones.

Scientific Data and Evaluation

Paragraph 2.7 of the Fishing Operations Agreement states that, during the 2021 fishing year, ENRP will, subject to being able to secure the services of offshore fishing vessels for science work, gather scientific data to re-evaluate the current yellowfin tuna TAC of 300 mt. This was to identify and allocate an appropriate offshore yellowfin TAC and for any increase in offshore yellowfin TAC to be

available, if relevant, in support of the exploratory fishing licence for bigeye tuna for 2022 or earlier. Subject to being able to secure sufficient scientific data during the first 6 months of the offshore exploratory fishing to re-evaluate the yellowfin TAC, ENRP will undertake analysis of the scientific data for this purpose within the first 6 months of the offshore exploratory fishing as mentioned in the discussion of paragraph 2.2 above.

From the review of documents and our enquiries, we noted that there is no evidence that scientific data was gathered on ENRP's behalf by STC as the co-operative did not have a vessel to implement exploratory fishing for tuna species.

STC RESPONSIBILITIES

3. Has STC complied with its contractual obligations and commitments as stipulated in section 3 of the Fishing Operations Agreement? Section 3 of the agreement covers:
- purchase of fish from non-members and
 - sale of ice to non-members.

Purchase of Fish from Non-Members

In the Fishing Operations Agreement, paragraph 3.1, STC committed to offer to purchase fish from non-members subject to quality, quantity and species, with reasonable timing and at a price approved by STC's board of directors.

In compliance with this clause, the board issued an STC Operational Policy in August 2022. The policy stipulates the fish species to be procured, expected quality, landing timings and the price parameters depending on fish size. The policy was distributed to most if not all fishermen and this document contained the offer to purchase fish from members and non-members alike.

Based on our discussion with management and fishermen, non-members have been generally unwilling to offer their fish to be purchased by STC, but of the fish that have been offered none have been refused. Only one non-member supplied fish to STC to fulfill its first container export in early 2023; both parties were satisfied with the transaction.

STC are therefore meeting the contractual requirement to accept non-members' fish.

Sale of Ice to Non-Members

In the Fishing Operations Agreement, STC commits to sell or provide ice to non-members at a quality, quantity, delivery and availability reasonably commensurate with full time commercial fishing activity. Furthermore, the sale to non-members

should not be on a basis and terms less favourable than such basis and terms, if any, to which such sale, service or provision is made to STC members.

In compliance with this clause, the STC board's Operational Policy detailed the process for the sale of ice to both members and non-members. Services clause 1 of the policy stipulates the price of £2.75 to be charged per every 25 kg ice bag supplied to fishermen. The same price applies to members and non-members as confirmed by the inspected sample of receipt books.

Although there have been some operational challenges, STC are meeting the contractual requirement to sell non-members ice at a price no different to the price sold to members.

OTHER MATTERS FOR CONSIDERATION

Ambiguity in the Agreement

Per the Fishing Operations Agreement PQTSH had the obligation to contribute £500k to match the £500k in capital contributions from SHG on behalf of the local fishermen. This outstanding obligation was part of the Investor Proposal and signed MOU entered into between SHG and PQTSH but was not specifically referenced in the agreement. While the £500k obligation was implied in preamble B, it was not specified as a requirement incumbent upon PQTSH in the detail to the agreement, e.g. there was no section titled "Obligations, Responsibilities, Commitments and Conditions Pertaining to PQTSH" even though such a section was included for both SHG and STC. This section could have described the required capital contribution through the supply of vessels as stipulated in the MOU.

Further, the text of preamble B describes the agreement's concept as "a joint venture whereby both partners invest of at least an equal monetary value in the establishment of a local legal entity". It is unclear what the phrase "at least an equal" means in this context, as it is not possible for one partner to contribute beyond an equal amount while the other partner satisfies the requirement to contribute equally.

Recommendation: SHG should propose an addendum to the existing agreement that (1) explicitly references PQTSH's £500k obligation so that the agreed deliverables from the negotiation stage are fully specified and (2) amends the confusing language in preamble B.

Incomplete Termination Clause

Standard commercial agreements typically contain a termination clause detailing exactly how and when either party can end the contract. A suitable termination clause will make the following provisions clear to the parties: the exact circumstances in which either party can terminate the agreement, how long a notice period parties must give to terminate the agreement and how to communicate notice of termination. The Fishing Operations Agreement terminates only upon the earlier of the 10th anniversary of the agreement or the termination date of the Lease Agreement. Other possible opportunities to exit the agreement were not included, such as:

- breach of contract,
- force majeure,
- frustration,
- misrepresentation,
- mutual agreement and
- repudiation.

Recommendation: SHG should propose an addendum to the existing agreement that adds a more complete list of possible reasons for termination.

Insufficient Consultation Regarding Key Infrastructure That Is Not Fit for Purpose

Paragraph 6.1 of the May 2020 MOU includes the following text regarding the resolution of disputes:

If either party has any issues, concerns or complaints about the Project, or any matter in this MoU, that party shall notify the other party and the parties shall then seek to resolve the issue by a process of consultation. If the issue cannot be resolved within a reasonable period of time, the matter shall be escalated to the Project Board, which shall decide on the appropriate course of action to take. If the matter cannot be resolved by the Project Board within 30 days, the matter may be escalated to representatives nominated by the parties for the purpose for resolution.

Much of that same text was adopted in the April 2021 Fishing Operations Agreement, but with the Project Board excluded:

If either party has any issues, concerns or complaints about the Project, or any matter in this agreement, that party shall notify the other party and the parties shall then seek to resolve the issue by a process of consultation. If the issue cannot be resolved within a reasonable period of time, the matter

*shall be escalated to the independent representatives nominated by the parties for the purpose for resolution.*¹²

With that as context, on 27 November 2023 SHG informed STC that a culvert located at the back of the Fish Processing Plant which is critical for the movement of frozen fish containers for export had been deemed unfit for the ‘reach stacker’ (wheeled crane) that lifts such containers to drive over it. According to the responsible Portfolio Director, the weight of the reach stacker together with a full container (more than 90 tonnes) far exceeds the maximum allowed weight on the culvert (14 tonnes). Practically speaking, no exportation of containerised fish can be undertaken until this problem has been resolved. According to STC, the inability to collect and process fish for export has already resulted in fewer fishermen bringing their catch to STC and fewer local workers employed at the plant.

The culvert constraint did not affect past operators such as SHFC because fish used to be loaded into containers from the front of the building. However, during the plant refurbishment STC re-oriented the building to load from the back for better workflow. This re-orientation would have been done with oversight from the Project Board, which had senior SHG officers (including the Chief Secretary) among its membership.

We reviewed correspondence showing that, after making initial inquiries and notifying the Acting Portfolio Director of ENRP that this was “extremely important to resolve”, an STC director requested a meeting with Ministers and SHG officers to find a way forward in an email dated 21 December 2023 and in a series of further emails over the following months. This request was consistent with the provision for consultation within a reasonable timeframe to resolve disputes as included in both the MOU and the Fishing Operations Agreement. However, this meeting was not held until 17 September 2024 and no escalation to independent representatives (the next step after consultation) took place. Other correspondence from the Secretary to Executive Council to one of the PQTSH/STC directors indicated that SHG would make no improvement to the culvert until STC procured a fishing vessel and registered it in St Helena as per another provision of the MOU that SHG interprets as incorporated into the Fishing Operations Agreement by reference (as discussed above). STC, SHG and private sector representatives we spoke with indicated that options for workarounds likely exist that would not require an overly costly construction project, and this was confirmed in testimony at the 12 December 2024 meeting of the Public Accounts Committee. But as of our reporting date, SHG had made no change to the culvert.

¹² Adoption of the MOU’s text likely explains why the tripartite Fishing Operations Agreement references “either party” rather than “any party” or similar: while the latter agreement is between three parties (SHG, PQTSH and STC), the MOU that contains the original text is between only SHG and PQTSH.

Recommendation: To ensure the continued purchase of fish from local fishermen, including for the purpose of exportation, SHG should urgently engage in consultation with STC to resolve the problem with the Rupert's culvert as soon as practicably possible.

Figure 3 (next page) shows the culvert and the roadway over it that leads to the rear exit of the Fish Processing Plant, where fish is packed into containers for export.

FIGURE 3. TWO VIEWS OF THE CULVERT AT THE BACK OF THE FISH PROCESSING PLANT



Source: Audit St Helena

PART THREE: FISHING ECONOMIC INDICATORS

SHFC was operationally closed in January 2020 following a decision by Executive Council in December 2019. Figure 4 below highlights the economic indicators that would show the value addition and benefits that have accrued to the fishing sector before the Fishing Operations Agreement, during the negotiations and after it was signed by SHG, PQTSH and STC:

FIGURE 4: KEY ECONOMIC INDICATORS RELATED TO ST HELENA'S FISHERIES

Description	2019	2020	2021	2022	2023	2024
Subsidies to SHFC (£)	£366,000	0	0	0	0	0
Fish exports (kgs)	229,890	0	0	0	37,173	0
Fish purchases – local (kgs)	329,340	89,310	69,742	94,700	No data	No data

Source: Audit St Helena analysis of SHG and STC data

Note: Amounts are annual except for the 2019 subsidy to SHFC, which was for the financial year that began 1 April 2019 and ended 31 March 2020. We are not including SHG's payment of salaries and collection of revenues with respect to the Fish Processing Plant from SHFC's closure until STC took over the facility in June 2021.

The figure indicates an obvious benefit to SHG as it is no longer paying subsidies to support the fishing industry. As stated in Part One, for the 5 financial years up to and including FY19/20, SHG had provided subsidies amounting to £1.387 million to SHFC. According to SHFC's audited financial statements, £366k was granted in FY 19/20 after £486k the year before.¹³

A further benefit to St Helena is STC's employment of local workers at the Fish Processing Plant. This amounted to more than 20 through mid-2021 when SHG was contributing to refurbishment costs. (SHFC employed 22 in its last year of operation.) By mid-2021 when this support stopped the team was reduced to nine, with further reductions as STC's business slowed.

The figure also shows a dramatic decrease in fish exports and the amount of fish landed relative to 2019, which represents a major disruption of the fishing industry. However, the export performance would also need to take into consideration the issue of the culvert that is not fit for purpose as described at the end of Part Two, such that STC has been prevented from exporting containerised fish since late November 2023 after shipping three containers abroad throughout that year.

¹³ <https://www.sainthelena.gov.sh/wp-content/uploads/2022/08/SP-25-2022-SHFC-Administrators-Report-Fin-Statements-31.03.20.pdf>

CONCLUSION

The signing of the Fishing Operations Agreement was a significant milestone for St Helena that was expected to yield equally significant benefits. The “primary objective” of the agreement was the “development of a program for the establishment of a sustainable, economically viable and self-supporting fishing industry...” This was consistent with the long-term vision in The St Helena Fisheries Sector Strategy 2016-2025: “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”.

Thus the purpose of the Fishing Operations Agreement was to provide a framework within which a crucial local industry could be progressed in a co-operative way between government, its chosen contractor and the commercial fishermen who are vital to the initiative’s success. Throughout the agreement there is a spirit of openness and mutual interdependence. It includes provisions for resolution of concerns including escalation to independent representatives. The following text found in section 4 is indicative (emphasis added):

*If either party has any issues, concerns or complaints about the Project, **or any matter in this agreement**, that party shall notify the other party and the parties shall then seek to resolve the issue by a process of consultation.*

Similarly, the May 2020 MOU that is referenced in the agreement encourages SHG and PQTSH to:

Behave in a positive, proactive manner... [r]ecognise the time-critical nature of the Project and respond accordingly to requests for support... act in good faith to support achievement of the Key Objectives and compliance with these Principles.

The Fishing Operations Agreement is not well-drafted: it contains obvious errors, exhibits ambiguity in key sections and leaves out content typically found in more robust contracts – all of which we have detailed in this report. But plainly, the agreement’s purpose was to facilitate the progress of the partnership, including amendments to the original terms when those changes would be in the best interests of that partnership and St Helena.

The wording of the agreement required that the partners forming the STC co-operative (SHG and PQTSH) “invest of at least an equal monetary value in the establishment of a local legal entity”. It is unclear whether investment by both parties in assets in which they retain ownership meets this criteria. Nevertheless, these investments by each partner generally seem to be contributing to the

agreement's primary objective of a sustainable, economically viable and self-supporting fishing industry. However, nearly 4 years after signing and 2.5 years after the Fish Processing Plant was successfully refurbished the commercial fishing industry in St Helena remains underdeveloped. That being said, SHG has derived a clear benefit from no longer having to grant sizable annual subsidies to that industry.

Looking at recent events, PQTSH's years-long struggle to establish a fit for purpose commercial fishing vessel in St Helena has reached its end, with the *St Albatros* now moored in the Jamestown harbour. As SHG's partner in the co-operative, PQTSH may have overpromised in its Investor Proposal that envisioned bringing three ships to the island, but it is also true that conditions changed with respect to total allowable catch and other financial considerations. It is commendable that Executive Council issued its 31 March 2024 letter informing a director of PQTSH/STC that he had until the end of November 2024 to procure a vessel, as that may have provided the necessary impetus for PQTSH to decide that purchasing a ship was in its best interests. At the same time Executive Council notified the same PQTSH/STC director that the *Bluefin* was suitable to fish in St Helena, subject to conditions, which demonstrates an openness to progressing the Fishing Operations Agreement. But on other matters SHG has been less flexible, notably with respect to the requirement for PQTSH to register its vessel(s) locally before fishing licences can be issued and its refusal to address the problem with the Rupert's culvert.

With the project poised at perhaps its most important point since the Fishing Operations Agreement was signed in April 2021, it seems clear that there is room for a deal. That is, this agreement can be progressed toward its original goal of a functioning industry if that is what both partners want. There are wider issues to consider as well, including St Helena's international reputation as a place to do business.

If there is a will for the Fishing Operations Agreement to succeed, PQTSH must continue to demonstrate financial commitment to STC and SHG must demonstrate that it is willing and able to fully back the endeavor. As we stated in our recent report about SHG's failed attempt to connect fibre optic cable for broadband service to homes and businesses across the island:

More broadly, once SHG selects its preferred approach, it must do everything possible to ensure the project's success... When unexpected challenges occur, the bias should be towards finding a mutually acceptable solution rather than adhering to the original contract without amendment. Finally, SHG must commit to wielding its significant powers to clear obstacles

*in a manner befitting a national government engaged in building critical infrastructure.*¹⁴

We conclude that the same is true for the future of the Fishing Operations Agreement.

Our recommendations as found throughout the report are listed in Appendix Two on page 31.

¹⁴ Audit St Helena, [Performance Audit: Fibre Optic Cable Network Project](#) (January 2025).

APPENDIX ONE: OUR APPROACH AND EVIDENCE BASE

Our three key lines of enquiry:	1. What was the value of both parties' (SHG and STC) contribution to the fishing operations joint venture and did these contributions meet the requirements of the Fishing Operation Agreement's concept (preamble B)?
	<p>2. Has SHG complied with its contractual obligations and commitments as stipulated in section 2 of the Fishing Operations Agreement? Section 2 of the agreement covers:</p> <ul style="list-style-type: none"> • exploratory licence, • commercial fishing licence, • access to fisheries, • exclusion of foreign fishing vessels and • scientific data and evaluation. <p>3. Has STC complied with its contractual obligations and commitments as stipulated in section 3 of the Fishing Operations Agreement? Section 3 of the agreement covers:</p> <ul style="list-style-type: none"> • purchase of fish from non-members and • sale of ice to non-members.
Our evidence base:	<p>To answer these questions, we researched, reviewed, compared and analysed the following documents, among others:</p> <p>From SHG, Agreement Relating to the Establishment of Fishing Operations in St Helena; Companies Ordinance; Fisheries Investment Prospectus; Fisheries Ordinance; Fishing Licencing Policy; High Seas Fishing Ordinance; Lease for the Fish Processing Plant; Merchant Shipping Ordinance; MOU between the UK and SHG regarding the Red Ensign Group; MOU Relating to the Establishment of Fishing Operations in St Helena; Scientific Monitoring Program – Bigeye Tuna; Ship Registry Policy; various budget books and press releases; and memoranda from Executive Council.</p> <p>From other sources, Falkland Islands Government policies; ICCAT Manual; PQTSH Investors Proposal; Public Accounts Committee transcripts; Saints Tuna Corporation Limited Articles of Incorporation and Operational Policy;</p>

	<p>SHFC Administrator’s Report and Financial Statements; UK Foreign and Commonwealth Office’s The Overseas Territories: Security, Success and Sustainability; The WorldFish Center’s Public-Private Partnerships for Fisheries and Aquaculture: Getting Started; and correspondence between SHG and several of these parties.</p> <p>Throughout our work, we engaged with SHG officials like the Chief Secretary; the Portfolio Directors for Economic Development; Environment, Natural Resources and Planning (also serving as the Chief Fisheries Officer); and Safety, Security and Home Affairs; other officers from those portfolios (including Customs and Maritime); the Attorney General and other counsel from AG’s Chambers; and key stakeholders like the Chair of the St Helena Commercial Fishermen’s Association; other fishermen; the Directors of PQTSH and STC; and STC’s former General Manager. We also spoke with the Falklands Island Government’s Heads of Fisheries Management and Maritime Authority to learn about their fisheries licencing and registration practices and experiences.</p> <p>From this evidence base and analysis we were able to address our key lines of inquiry and draw conclusions as stated in this report. We conducted our initial audit work through August 2024, followed by an extensive draft review and comment period with SHG and PQTSH/STC. This review and comment period revealed unreported material developments that required further investigation and additional rounds of review and comment. We completed our work in March 2025.</p>
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APPENDIX TWO: LIST OF RECOMMENDATIONS

Number	Recommendation
1	To begin registering vessels consistently and in accordance with established standards, SHG should prioritise the issuance of regulations that would give effect to the requirements of the Ports Ordinance, including vessel registration.
2	To reduce the ambiguity in the Fishing Operations Agreement, SHG should propose an addendum to the existing agreement that (1) explicitly references PQTSH's £500k obligation so that the agreed deliverables from the negotiation stage are fully specified and (2) amends the confusing language in preamble B.
3	To make the Fishing Operations Agreement easier to exit when appropriate, SHG should propose an addendum to the existing agreement that adds a more complete list of possible reasons for termination.
4	To ensure the continued purchase of fish from local fishermen, including for the purpose of exportation, SHG should urgently engage in consultation with STC to resolve the problem with the Rupert's culvert as soon as practicably possible.