



P.O.Box 34, Jamestown, St.Helena

President – Stuart Moors
Vice President – John Styles
Secretary – Brenda Moors-Clingham
Treasurer – Pat Williams
Council Members – Chris Bargo, Nigel George
Gary Stevens, Hazel Wilmot
Julia Benjamin, Ian Gough

Telephone: (+290) 3255

Facsimile: (+290) 3255

Email: Enquiries@ChamberOfCommerce.org.sh

Chief Executive Economic Development

The Canister

Jamestown

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Dear Julian

Comments on the draft EDP

I write in my capacity as President of the Chamber of Commerce in an attempt to summarise and collate some comments on the draft Economic Development Plan, returned to me by members of the Chamber.

As with all such attempts to canvass opinions, it is a rarity to find unanimity, and this exercise is no exception. We must also recognise that members who do not offer any comment may have chosen not to do so for a variety of reasons beyond simple apathy – a common one is probably that nothing in the draft is contentious enough to warrant a comment, which, while unlikely, could be construed as positive. Further, it is common to note that only the most outspoken of reviewers will be likely to want their considerations made public on a wider forum, so I would hope that many members make their responses directly to you.

I must also point out that the Chamber has not yet had an opportunity to debate the comments in forum. As we have our scheduled meeting on Tuesday 7th, and you will be attending as a guest, I am confident that a great deal more in the way of concrete comments and criticisms will result, and I will hopefully find the time to summarise that debate in a letter too.

From the responses I have received, and including my own comments on an equal basis, the following points can be made:

- Generally, the overall reaction to the draft plan is good, with some even saying that the document is too skimpy for such an important topic. Several of the parameters used in the EDP are far more closely related to the realities of running an airline business than have been hitherto been used. It has been noted, however, that the Executive Summary lists the key stakeholders without recognising that the Private Sector should be included in the list – an omission that, perhaps, is limited to the summary.



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- However, there is some concern that assertions made and figures presented are done so without justification or reference – one very obvious example of this is the multiplier used in the visitor spend projections – a figure of 3.45 appears to be arbitrary unless supported by a reasoned justification, and the effect of variations on this figure may be considerable. Another is the figure of 30,000 visitors per year, but I will come back to that.
 - Some comparisons may not be as simple or relevant as suggested. Comparing the island’s agricultural situation with, say, the UK’s misses the fact that such large economies are driven by (and constrained by) mutual trade agreements which do not apply here. Agriculture in such climates is also blessed with periods of frost which depress the pest population, an effect missing in our relatively constant climate. So local production may be disadvantaged for even the premium produce.
 - There is some concern that the EDP places too much emphasis on the tourism aspect of the development of the St.Helena economy. One comment asserts that the projected contribution of a well-developed fishing industry is understated, and I would personally endorse this view.
 - One comment noted that the EDP does not recognise (or at least does not emphasise) that the safety and security aspects of the life on St.Helena are precarious but valuable selling points. This is likely a large opportunity for attracting businesses, residents and visitors simply because of the virtual lack of the dangers afflicting daily life in such as South Africa. It is recognised, nevertheless, that it is important to protect these aspects while making economic use of them.
 - A number of responses indicate a fear that a newly created organisation (such as the proposed “Enterprise St.Helena”) will be simply another drain on resources and funds. This concern, is of course, founded on years of experience with similar promises of step-change, but which have led to little more than pontifications and broken promises. A successful “Enterprise St.Helena” will not only have to be successful, but it will have to be seen to be successful, and the first step to that is convincing people now (through the EDP) that it will work, by explaining how.
 - A few responses have referred to the projected level of tourism uptake, i.e. the 30,000 visitors per year (600 arrivals per week). Apart from being a seemingly unjustified statistic, it can be seen as at least being in line with the requirements for a successful airline business, which, despite a previously held goal (by DfID and Atkins) of one flight a week, are likely to require 5 or 6 flights a week as a minimum, and the EDP concurs in this. However, the other side of the coin is the apparent need to cap visitor numbers. While the general feeling is that a cap is necessary, it is not clear how this could be achieved, and the suggestion that the number of tourist beds be limited to a thousand is a particular concern, as:
 - this allocation could be completely swamped by one or two “cornerstone” developments, especially if their domination of the sector were unchecked, thus skewing visitors towards the resort type of offering
 - this would lead to resentment by small (mainly Saint) developers who would be refused permission to develop because of a cap.

Capping the number of beds can be seen to be a brake on development. If there were a cap on tourist numbers, and beds were allowed to be made available without check, then enterprise would still be encouraged and the allocation would be managed through competition for business, with the benefits of competitive capitalism without artificial constraints.



The 600 arrivals per week, and the proposed 1000 bed cap, are both dependent on the assumption that the average stay will be for one week. This has to be questioned. As St.Helena will be an exceptionally expensive place to travel to, would it not be more likely that stays would exceed one week. If this were the case, then occupancy would increase beyond 56% (on average) but arrivals per week would fall, and this would place the viability of an airline into doubt. In summary, as these projections are all interlinked (visitor numbers, length of stay, number of visitors on island at any one time, number of beds required, occupancy (average and profile), number of flights per week, etc) and the viability of potential businesses including the airline depend on them intimately, the Chamber would very much welcome a thorough sensitivity analysis, to seek out the most likely candidate parameters to manage closely.

- A number of reviewers have been perplexed by the list of “key” aspects (pg 15 & 16). The areas/departments etc are not comparable in any sensible way, and many inclusions are questioned. Some have said that “The Fisheries Corporation” in itself is not key (while “Fisheries” is accepted as key). Some have concern about the inclusion of “Directors” in the list – an unjustified claim. I personally wonder how a seat on the Solomon’s Board is in anyway key – the Chamber has campaigned for SHG to divest itself of its interest in Solomons, so that the private sector playing field is levelled.

Below are some specific comments by individual members:

- Elsewhere in the world, experience would show that a Guest House business with fewer than 10 rooms is not viable (pg 5)
- It is probably sensible to market St.Helena as a destination to the southern hemisphere, particularly South America (including, possibly, Argentina)
- Visitor spend on the island (10 times the resident spend – pg 11) may not all have the same effect on the economy (some may leave the island having little effect)
- Access to capital for investment may well be major hurdle to achieving the growth required, and it is seen as likely that the local facilities (e.g. BoSH, SHDA) are not suitable conduits.
- Reversion to a longer runway is urged, as the original short runway proposal was unlikely to produce the effects needed; it would not have supported the parameters underlying this EDP, which is seen as realistic, and the acquisition of a suitable aircraft is made significantly more difficult.
- The EDP does not indicate how a daily flight would be achieved, but the creation of an island-based airline can be seen as a viable business opportunity, with considerable spin-off benefits to the economy. With the lead-times as they are for sourcing even standard specification aircraft, this nettle should be grasped now, and the search for an aircraft begun as soon as possible.
- Under section 5, the EDP suggests that SHG headcount reduction is a way to make staff available to the private sector. Yet the current SHG plans deal more or less exclusively with the privatisation of utilities, which in itself is a separate topic, but is in any case not a method for freeing up personnel and does nothing to increase the efficiency of Government either, another serious hurdle to progress.



Finally, some apparent inconsistencies or errors in the document

- The footnote on page 6 indicates a typical hotel nightly charge in Capetown. Personal experience of one member suggests this is an exaggeration
- Page 7 states that Shelco envisage completing their hotel within 3-4 years of the airport opening, yet the footnote states that Shelco expect to have the hotel completed with 300 bed spaces before the airport opens
- Page 11 claims that by 2021, average wages will increase to be over twice current levels (in real terms), yet the table compares the average wages (£7,400 now and £11,900 in 2021) in which the relationship is significantly less.

We look forward to discussing the draft in more detail.

best regards

Stuart Moors, President