

Written evidence from the St Helena Leisure Corporation (SHELCO)

About SHELCO

SHELCO, a single purpose company privately funded largely by its Directors, was established in 2000. Its objective is to support the Government Economic Development Plan by providing tourism and leisure infrastructure on St Helena. SHELCO is calling for the British Government to underwrite a UK Export Finance (UKEF) counter guarantee on finance for the first phase of their investment in a much-needed development on the island that could offer up to 132 new high quality hotel rooms, as well as a golf course, new land for farming and employment opportunities. Without support from the British Government, however, the project will not go ahead and this will be to the detriment of growth on Island and the success of the air service.

Background

St Helena is currently the recipient of £28 million of UK international aid (2015/16). This is in addition to £285 million that the British Government spent to fund the island's new airport (up from an estimated £220 million in 2012), as part of a total infrastructure spend estimated at over £400million. Until the airport is opened and a reliable air service is established, the island will continue to struggle to attract investment, instead remaining reliant on British Government handouts, and will fail to develop a self-sufficient market economy. The "Catch 22", however, is that without inward investment the Government target of 30,000 visitors a year will be impossible to achieve as there are currently only around 23 'hotel' bedrooms on the island.

Put simply, there is a symbiotic relationship between introducing an air service and increasing hotel capacity on the island: one cannot work without the other. In the interests of both St Helena and the British taxpayer, the UK Government must seek a solution that addresses both issues.

Supporting rapid expansion of tourism on St Helena

The National Audit Office (NAO) earlier this year produced the report *Realising the benefits of the St Helena Airport project*. Whilst SHELCO is pleased that the issue of the airport is being examined, there are a number of inaccuracies in the report that must be addressed.

DfID's cost-benefit model for the airport, for example, is discussed in Point 7 (p.8) and the range of projected tourist spending is given as being between £82 and £195 per person, per day. However Whitebridge Hospitality, who produced the Enterprise St Helena Tourism Study in 2013 and who are referenced in the NAO's report, actually estimate this to be at around £223. Even this is based on conservative assumptions and other estimates have put the average tourist spend on island at approximately £300 per day. The low estimates given by the NAO may be because the issue of 'quality' is not sufficiently addressed in the report. If St Helena is aiming to target 'cheaper' tourists and provides cheaper accommodation then of course the average spend will be low. However, it is more likely that, given the length of time and cost of travelling to St Helena, that those visiting the island will be high value tourists. It is, therefore, vital that good quality accommodation can be offered on Island.

On the issue of accommodation, the report makes reference to '150 tourist beds' currently on St Helena. This is a significant overestimate, and again is based on a misguided assumption that low-value tourists will be targeted. Whitebridge's research reveals that there is an existing supply of 41 serviced rooms, with a further 72 self-catering rooms that are not commensurate with high-value tourism. At best only 23 of these rooms would be considered 3* and 'hotel standard by international standards. The island needs

significantly more quality hotel accommodation if it is to fulfil its objective of high-value tourism, and this is not addressed in full in the NAO report.

The proposed 'Wirebird Hills' development

In 2012 SHELCO signed a Memorandum of Agreement with the St Helena Government (SHG) and obtained planning consent for a 82 bedroom, 5* hotel resort and country club, designed to be environmentally outstanding and include a sanctuary for the Wirebird, which is the national emblem of St Helena. As part of this, the land is to be managed with Saints to maximise its farming potential and assist the island in becoming self-sufficient in food (currently there is no fresh milk on island). The project is to be a joint venture with Mantis, who have been selected by SHG to develop and operate another proposed new hotel in Jamestown that is being funded by St Helena Government (SHG). Crucially, Mantis has staff already on the ground in St Helena to take forward the Wirebird Hills development and all the planning and land consents have been secured for the project.

UKEF agreed with SHELCO that it would provide an export guarantee on the hotel investment as long as SHELCO sourced a percentage of construction contracts for our resort in the UK. BNP Paribas then agreed in principle to provide £20m of debt backed by the UKEF guarantee to finance the first phase of the development.

Problems arose because as there is no economy on the island UKEF require a counter guarantee from the British Government. They and the Foreign & Commonwealth Office (FCO) thought that this was entirely sensible given the benefits to both St Helena and the UK of kick-starting the economy, but the former DfID minister Desmond Swayne MP rejected any Government support for the private sector out of hand.

Thus, a stalemate has arisen whereby on the one hand the British Government will not offer a counter guarantee on the investment, thus blocking UKEF's export guarantee, and on the other SHELCO are unwilling to make the investment given the manifold uncertainties surrounding the St Helena economy and the lack of any available finance on Island.

In the interests of both St Helena and the UK taxpayer, DfID should underwrite UKEF's export guarantee. This would not only make the air service in and out of St Helena more financially viable but in the long term it would also make the island less dependent on handouts from the UK taxpayer.

The benefits of SHELCO's

investment For St Helena

- The proposed hotel would significantly expand the island's hotel room capacity, alleviating the current problem of lack of rooms for visitors. This would allow tourism on St Helena to grow and flourish, bringing much needed external investment to the island. This is vital for St Helena, not least because there are political uncertainties over the future of the international aid budget in the UK.
- The cost of Government air service subsidy is directly related to the number of tickets that can be sold to potential tourists. Without hotel capacity, it is likely that the subsidy will be substantially higher.
- The project itself would also create jobs on St Helena, and the tourism investment that the hotel and resort would attract would provide a much-needed boost to the island's economy and give

confidence to other inward Investors.

For the UK

- Until St Helena develops a functioning market economy, it will continue to be dependent on UK taxpayers. This is extremely wasteful spending given the current pressures on public finances.
- Encouraging St Helena to become more self-sufficient would help to make international aid spending more efficient, and free up funding for other departments. Over the last fifteen years, the British Government is estimated to have spent over £400 million on the airport and other infrastructure projects, on top of the annual international aid it gives to the island.

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