

St. Helena Chamber of Commerce
critique of the report
“Review of Performance of St Helena Line Ltd”
produced by Julian Morris, November 2008

1. Background

1.1 At the regular meeting of the Chamber of Commerce on 10 November 2009 the Governor made a commitment to circulate copies of the above report to the Chamber Council.

This report was received shortly afterwards and it was agreed that the Chamber would submit a critique of the report back to the Governor in due course.

1.2 The following sections highlight key issues raised in the report which we think are particularly important and also illustrate some failings in the terms of reference.

2. General

2.1 The terms of reference for the review were very narrowly drawn and do not address the key issue of the economic impact of the RMS on the Island's economy. The report, in accord with the terms of reference, focuses on the costs of the operation of the RMS as a discrete entity with little reference to its impact on the Island.

2.2 Considering the massive amount of economic impact analysis that was considered necessary before the airport project was supported, this omission is not only disappointing, but leads to entirely wrong conclusions. Any report focussing on access to the Island needs to take into account the consequential economic impact.

2.3 DfID's decision, supported by SHG, to incorporate the costs of the RMS into SHG's budget, may partly explain why focus has been given to the RMS running costs only, irrespective of the consequential impact on the Island's economy.



2.4 Considering the narrowness of the terms of reference the report, however, makes some interesting and useful points which are worthy of further consideration. The report however, in part, fails to draw the issues raised into a concise set of conclusions and this report attempts to fill this gap, while the Chamber strongly suggest a comprehensive in-depth analysis into St.Helena's access options, which have determining impact on both economic and social issues. We are pleased to note, that also other entities such as the St. Helena Tourist Association are striving to have constructive input into finding better solutions of what is described by Governor Gurr as "far from optimal".

3. Specific Issues

3.1 For ease of reference the following commentary has been categorised into four subject headings. References in brackets refer to the report by Julian Morris.

3.2 Cargo:

3.2.1. The current voyage cost analysis produced by SHL loads all the subsidy costs of transshipment of cargo from the UK on to the Southern Africa – St Helena voyages thus skewing the analysis. Transshipment is a feature of the current overall scheduling structure and should not be loaded on to particular segments.

3.2.2. If the analysis in the report is followed through to its logical conclusion, the subsidisation of transhipped goods should be abandoned. Global availability of goods are generally of similar quality and it seems perverse to transport such goods from the UK when they can be obtained from a supplier closer to hand. Withdrawing the subsidy would (a) save money and (b) mean that more South African goods would be imported making the Southern African – St Helena voyages more viable.

3.2.3. It therefore follows that if Southern African trips became more viable then the need to maintain trips to the UK from a cargo perspective is brought into question.

3.2.3. No mention is made anywhere in the report of the RMS/transshipment service carbon footprint. If in the future carbon debts are allocated equitably, importers would be further incentivised to source directly from South Africa, or even better from Walvis Bay. This would also bring trips to the UK by the RMS into question.

3.2.4. The report states that "it is a well known occurrence in transport systems, when frequency is increased, so does use" (9.1). The irregular sailing pattern to and from Walvis Bay has not given



this port a chance to establish significant cargo business. The Walvis Bay Chamber of Commerce have stated that if there was a regular sailing pattern with a relatively long term commitment, the RMS cargo service would be used for both African coastal operations as well as serving St Helena. In addition there has been little or no marketing of this cargo service.

3.3 Passengers

3.3.1. The report makes it clear that the marketing initiative was not delivering value for money. In addition Andrew Weir, who are responsible under the contract for worldwide marketing say that they are not in a position to lead on marketing (10.4). The report also states that “a significant number of passengers travel between Walvis Bay and St Helena (7.1.2). If this is achieved with poor marketing then what could be achieved if marketing were effective?

3.3.2. Southern African voyages already make the lowest losses (1.6.3 and 7.2.5).

3.3.3. UK tourists provide significant revenue to the RMS and to the Island. UK tourist numbers coming to St Helena have not declined following the change of schedule from 4 UK trips per year to 2 (4.4.2). UK tourists are happy to access St Helena via Cape Town or Walvis Bay. Indeed in 2004, when UK calls were abandoned completely, passenger numbers actually increased (4.2). It is therefore reasonable to assume that the cutting out of UK calls would not have a detrimental effect on passenger traffic. This would enable more annual calls to be made to St Helena thus boosting the local economy (the main principle behind air access was to increase access opportunities to St Helena).

3.3.4. By cutting out UK calls and focusing on Southern African ports and Ascension we increase the number of access opportunities to St Helena. This, in turn increases the possibilities for enabling the St Helenian diaspora to access St Helena, which has featured in the rationale behind the Island’s No 1 Strategic Objective. The diaspora are an important segment of passengers and are very beneficial to the Island’s economy (9.2.1) yet little marketing has been targeted at this segment.

3.4. Overall Strategic Management of the RMS

3.4.1. The strategic management structure of the RMS is an “overly complex structure that means that decision making is convoluted.....The overall structure (AWS-SHL-SHG-DFID) is very poor and detracts from overall effectiveness.” (8.5) The structure needs to be rationalised to provide clarity in decision making and a clear focus on the allocation of responsibilities.



3.4.2. SHL is failing to take a strategic role in relation to the operating results of the RMS as evidenced in the report which states “it is apparent that there is not sufficient objective review and strategic consideration of key data” (8.3.4). It appears therefore that the pricing(9.2.3) and scheduling aspects of the operation of the RMS are not being properly managed with decision making being taken based on sound objective analysis. SHG, which takes the ultimate decisions on RMS operations has no professional shipping expertise within its ranks and is not provided with a regular review of key performance data.

3.5. Marketing

3.5.1 The report is highly critical of the effectiveness of the marketing initiative (9.2.6). it also points out “having an effective marketing executive should be a top priority” (9.2.7). Yet the marketing budget has apparently been cut since the report was written, as SHG state that they “were not getting an adequate return from their marketing investment.....as the figures showed that marketing effort made very little difference to marketing numbers”. This is quite astonishing in that it would surely be more productive to find out why the marketing was ineffective and improve its operation. Good marketing is critical to the economic operation of the RMS and ultimately the St Helena economy.

4 Conclusions

4.1 Terms of Reference: The terms of reference drafted for the consultancy were inadequate. No analysis has been commissioned to establish how the operation of the RMS can achieve maximum benefit to the Island`s economy.

4.2.1 Passenger and Cargo Operations : Southern African voyages, Cape Town – Walvis Bay – St Helena, in reality already make the lowest losses (7.2.5). If transshipment were abolished there would be a reduction in costs, freight volumes from Cape Town would increase and if marketing was more effective, passenger numbers from Cape Town and Walvis Bay would be likely increase thus reducing costs even more. As the most cost effective voyages involve a combination of good take up on both freight and passenger bookings (7.2.9) this should be the way forward for the future schedule.

4.2.2 On this basis Southern African voyages would be the most economic of all options and if the UK voyages were also abandoned, overall costs would go down even further and access to the Island would be improved with more Island calls per annum to St Helena benefiting the Island`s economy.



4.2.3. The service to Walvis Bay should be introduced and included in each trip from Cape Town. Previous analysis by the Chamber of Commerce has shown that return trips from St Helena direct to Cape Town would achieve maximum annual access to the Island whilst not losing the benefit of travelling to Walvis Bay. The route would therefore be CPT-WVB-STH-ASC-STH-CPT. The frequency of calls to ASC would need further research.

4.3 Management of the RMS : The RMS is not being managed efficiently. The management structure is convoluted. There is little strategic analysis and therefore little strategic management of the operation. Pricing and scheduling decisions are taken by SHG that has no professional shipping expertise within its ranks. Consideration should be given to acquiring such expertise to be based on the Island as part of SHG and abandoning the SHL operation. This would achieve the additional benefit of simplifying the structure.

4.4 Marketing : A professional and effective marketing executive should be established that should work closely with the Director of Tourism so the links between the successful and economic operation of the RMS can dovetail with an improved tourism sector to benefit the Island's economy.

JS, Chamber of Commerce, January 2010