



Contents

Annex A

Summary of cost/benefit analysis and financial costs

Annex B

Where to find additional information and analysis

Annex C

Previous consultations and Referendum

Annex D

St Helena airport timeline

Annex E

Written Ministerial Statements

Annex F

DFID assistance to St Helena 1998-2008

Annex G

Cost of operation and maintenance of the RMS St Helena 2001-2008

Annex H

Legal context and Government policy

Annex I

Code of Practice on consultation

Annex A – Summary of cost/benefit analysis and financial costs

A summary of i) the costs and benefits and ii) the financial costs of the three options.

Introduction

The Royal Mail Ship St Helena is approaching the end of its economic life, indicated to be in 2015, and presents the need for an investment decision. The vessel could be replaced, at an estimated capital cost of £40 million and annual operating costs estimated at around £8 million per annum, or the costs associated with RMS replacement could be avoided and access secured by the construction of an airport and related infrastructure.

The analysis below presents a comparison of the costs and benefits of the alternative options. Data for the appraisal and forecasts of traffic growth were provided by the Atkins Feasibility Study (2004), which also described the assumptions underlying the analysis. Detailed data on costs is not provided here for reasons of commercial confidentiality¹.

Construction of Airport (Option A)

The overall cost of building an airport on St Helena, establishing an air service and operating the airport for ten years could exceed £300 million. It is important to note that the cost of the Design Build and Operate (DBO) contract that was tendered in May 2007 is only a part of the overall cost of the project to the Government. As well as the capital cost of the project and operating the airport for the first ten years, our projections include contingency for DFID-held risk and the costs of:

- contract supervision
- the local air access office
- environmental mitigation
- tourism marketing
- establishing an air service

In assessing the economic case for this investment, DFID looked at the cost stream and benefit stream over a 40 year period from the point of airport opening in 2015. On reasonable assumptions the airport yields an Economic Internal Rate of Return (EIRR) above the cost of capital, a positive net present value and a benefit cost ratio (BCR) of 1.9:1; all three measures of worth indicate an acceptable return on investment.

¹ The tender process for the St Helena airport DBO contract, which began in May 2007, is not yet complete.

Project Benefits

Benefits accruing to the investment would be fourfold:

1. Benefits to travellers arising from lower transport costs as a higher cost mode of access is replaced by a lower cost mode of transport, and from time saved by replacing an access time of six days with one of a few hours
2. Revenues from the expenditures of higher numbers of visitors travelling because of the lowered cost of access, less what leaks out as imports
3. Costs of continuing the existing service, including the cost of vessel replacement, which are avoided by air access
4. Benefits from reduced cargo handling and shipping costs afforded by investment in a permanent jetty at Rupert's Bay

It was assumed that the annual number of round trips made by Saints and business travellers would rise from the current level of 1,820 to over 14,000 over the 40 year period, while the annual number of tourist arrivals would grow from the current level of 1,439 to 59,000 over the same period. The benefits accruing from tourism to the island would depend not only on the number of tourists, but also on how much tourists spend and the level of import leakage. Other benefits would include lower transport costs and time savings for existing travellers and additional travellers that take advantage of cheaper and quicker travel to St Helena. The present value of total benefits was estimated to exceed £700 million.

Project Costs

The costs included in the analysis were:

1. The initial capital investment costs (airport, haul route, wharf, bulk fuel farm).
2. Running costs of the airport when operational
3. The costs of institutional support and strengthening over the appraisal period.

4. The costs of building accommodation for the projected tourist numbers. The costs would be borne by the private sector but since resources are consumed in construction they are included in the analysis.

5. The costs of improving social infrastructure to a level necessitated by the volume of tourist arrivals.

6. The costs of continued sea freight access once passenger traffic has diverted to air. Provision of air access only partially replaces the need for a shipping service and thus to airport costs must be added the costs of a sea freight service. It is noted that existing RMS requires an immediate refit costing an estimated £2.5 million to remain in survey for the next five years which would be needed so it could continue to operate whilst the airport was being built.

These are the assumptions on which the economic assessment was done. The assessment gave an economic rate of return above the cost of capital, indicating an acceptable return on the investment. The results were subjected to sensitivity analysis. When considering a 50 per cent loss of visitor arrivals (both Saints and tourists) and a 20 percent increase in the contract value the rate of return remained acceptable, in other words above the Treasury discount rate.

Construction of Airport at later date

At this point it is hard to predict how far the costs and benefits of postponing construction would be affected. It is likely that each of the elements highlighted in both the costs and benefits assessment above would still be relevant to the appraisal but the evaluation of each will change. The degree of change is as yet uncertain, however the current assessment is that postponement of the decision to construct the airport should not make a significant difference to the economic analysis and so to the economic case.

On the cost side, there would be the additional cost of re-tendering, operating interim ship services, and changes associated with exchange rate movements and inflation. On the benefit side, a marginal reduction is anticipated as a deferral would imply a build up of economic benefits at a later date. It should be noted that there remains much

uncertainty about the long-term global impact of this unprecedented recession.

Table 1 sets out some of the key advantages and disadvantages of a deferral. This indicates that there will be on balance qualitative disadvantages from a postponement.

Table 1: Deferral - Favourable and Unfavourable Outcomes

ADVANTAGES	DISADVANTAGES
Keener international tender prices	Loss of confidence in bid process among future contractors leads to excessively high risk premiums
Costs of capital falls to pre-crisis levels	Global financial crisis leads to reduced competition reducing value for money offered by potential bidders
International travel demand recovers to pre-crisis levels	Out-migration of Saints reduces skills on island with: adverse affects for public service delivery and narrowing of tax base; increased costs of retaining key workers; less labour available on island to develop a tourism industry in future
Construction of an airport at a time when the global economy is not in deep recession/high levels of uncertainty	Loss of domestic and international investor interest leads to lower levels of private investment on Saint Helena Possible compensation claims against government for loans and investments secured in anticipation of air access, which may need to be defended

Financial Cost Comparisons

The financial costs of the alternative options are presented below. The figures illustrate the financial costs of the options to the Government over both the short term and long term. The costs are presented on a net basis, with estimates for freight revenues and passenger fares deducted.

The projected financial costs over the next five year period (2010-2015) for the alternative options are estimated to be as follows:

- Airport: £230-260 million² (based on contracting the airport DBO in 2010 – it is assumed that airport construction takes between 4-5 years and so airport operations costs fall outside this period)
- New ship: £50-70 million (based on tendering for the construction of a new ship in 2010)
- Refurbishment and running costs of RMS St Helena or charter options: £20-30 million (based on current estimates for the operation and maintenance of RMS St Helena for the next five years)

² For Option A the range includes the costs of: the first five years of the DBO contract; keeping the RMS in service until completion of the airport; contract supervision; the local air access office; environmental mitigation; tourism marketing; and other costs borne by DFID, including contingency for DFID-held risk.

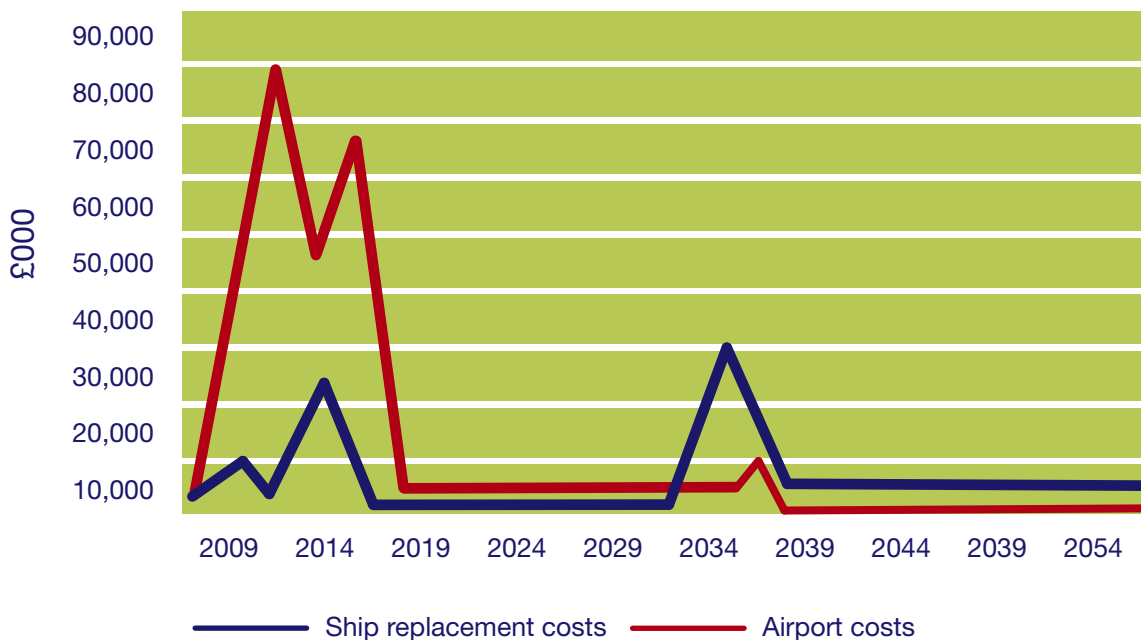


The cost range for the third option includes a refurbishment of both of the ship’s engines during 2010 and the costs of an annual dry dock. Whether the airport is contracted (Option A) or a new ship commissioned in 2010 (Option B), it is anticipated that the Government will continue to incur the costs of operating the RMS in the interim period, and therefore operations and maintenance costs are incorporated into the cost ranges for all the options above.

The estimates indicate that the airport option incurs a much higher financial cost outlay in the short term relative to the other options under consideration. The cost of the airport option is nearly four times the cost of the ship option in the near term, while continuation of the RMS or charter options are half that of building a new ship.

The total costs of building and operating the airport versus replacing and running the RMS over a period of 40 years starting 2010 up to 2054 is illustrated in Figure 1 and 2 below. The graph under a non-deferral scenario illustrates that approximately 70 percent of the total costs of building and operating an airport will be incurred over the next five year period (2010-2015). The graph also illustrates the costs of operating the airport drop to zero after 2035 as St Helena is expected to reach a point where UK financial assistance is no longer required. This is not anticipated under the sea access option, where the running costs of the ship are forecast to continue beyond the period of appraisal.

Figure 1: Financial Cost Profile –Construction of Airport versus building a new ship: 2010-2054

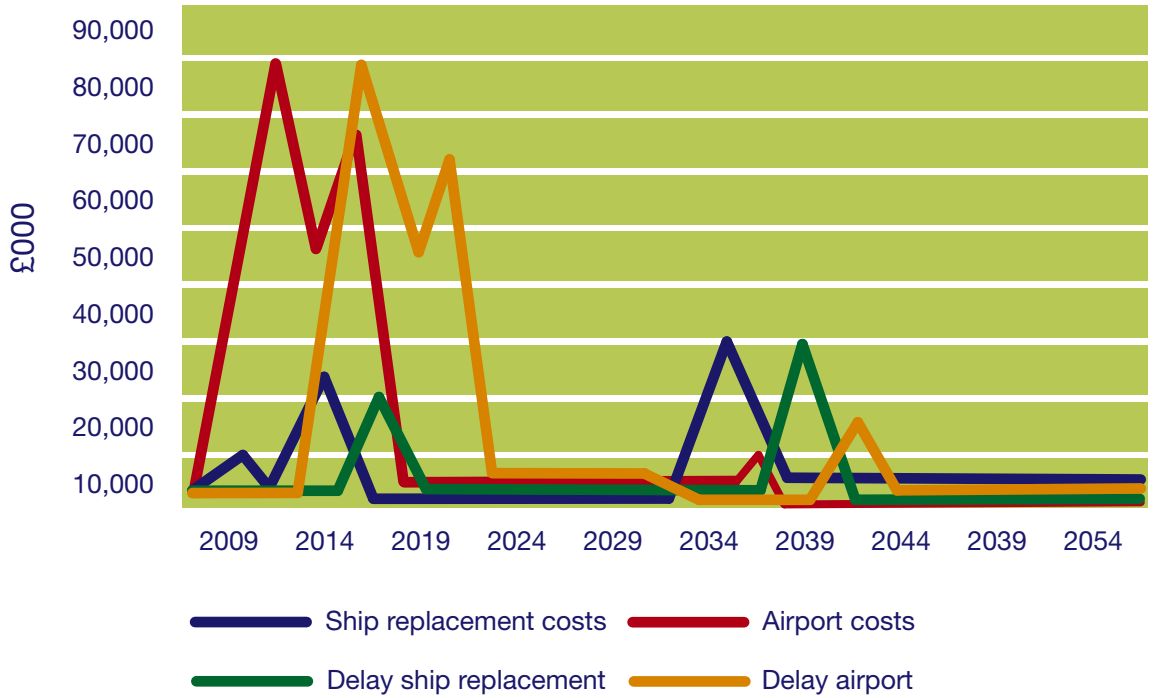


ANNEX A



Figure 2: Financial Cost Profile – Deferred and Planned

Figure 2 sets out costs for the two options as per the above but on the basis that both investments are delayed by three years. As a result of deferral, airport costs and ship replacement costs increase only marginally due to the additional costs associated with running shipping services during the interim period and re-tendering costs.



ANNEX A

Annex B – Where to find additional information and analysis

Links to relevant documents, where to find hard copies, how to request additional information.

Feasibility Study

www.sainthelenaaccess.com/news/

The Atkins Feasibility Study (2004) selected three access options from among a long list of possible solutions against three key criteria: technical feasibility, potential to enable economic growth and potential to reduce reliance on UK Government subsidy. Appendix D includes all of the access options that were considered in the long list.

The Study examines the costs and benefits associated with each of the three shortlisted access options: continuation of sea access ('Replacement RMS'), an aerodrome with a runway providing safe operation of 19-seater business jets 1 (the 'Medium Length Runway'), and an aerodrome with a runway providing safe operation of Boeing jets of the B737 design or equivalent Airbus design (the 'Long Runway'). The report includes detailed analysis of each option and concludes with the recommendation that the most cost-effective option for the Government is the long runway access option.

Project Memorandum

www.dfid.gov.uk/pubs/files/st-helena-proj-memo.pdf

The Project Memorandum prepared by DFID in 2005, sets out the project rationale and approach and identifies other key information including project management structures, the implementation strategy, the policy underpinning the project, governance and institutional structures as well as expected environmental and socio-economic impacts.

Planning Statement (as submitted for Development

Permission)

www.sainthelenaaccess.com/application/documents/Planning-Statement

This Planning Statement provides a summary of all the components of the project comprising the planning application, and presents the case for the development.

Environmental Statement (as submitted for Development Permission)

www.sainthelenaaccess.com/application/documents/Environmental-Statement

Volume 1: Non-Technical Summary: this document provides a short, easy to read summary of the scheme and the key impacts.

Volume 2: Environmental Statement: Technical Summary this volume focuses on the significant effects that could occur during the construction and operation of the proposed scheme. The information is supported by the detailed technical information presented in Volume 4.

Volume 3: Environmental Statement: Figures and Photographs – this volume contains the maps, photographs and figures and other illustrations referred to in Volume 2 and 4.

Volume 4: Environmental Statement: Technical Appendices – this contains the detailed assessments for the environmental topics covered in the ES. It includes technical reports and survey documents.

Volume 5: Environmental Management Plan – this volume sets out the mitigation measures that must be implemented during the construction and operation of the airport and supporting infrastructure.

Volume 6: Socioeconomic Impact Assessment – this volume provides an overview of the social and economic impacts of the project during construction and following the opening of the airport.

Review of Future Freight and passenger Shipping Options for St Helena and Ascension Island

www.dfid.gov.uk/pubs/files/shipping-options-sthelenas.pdf

A report completed by WSP Inc providing a range of fully researched, evaluated and tested set of options for freight and passenger services for St Helena and Ascension with recommendations for the most cost-effective options.

Foreign Affairs Committee (FAC) report

www.publications.parliament.uk/pa/cm200708/cmselect/cmfaaff/147/14707.htm#a33

In July 2007 the FAC decided that another inquiry into the Overseas Territories was overdue. The inquiry would assess the FCO's exercise of its responsibilities in relation to the Overseas Territories and its achievements against its then Strategic Priority No. 10, the security and good governance of the Overseas Territories.

See particularly: paragraphs 333 - 342

Evidence submitted by St Helena Government to the Foreign Affairs Committee inquiry on the Overseas Territories

www.publications.parliament.uk/pa/cm200708/cmselect/cmfaaff/147/147we76.htm

The FAC received over 200 written submissions for its inquiry into the Overseas

Territories. The members of St Helena Government's Legislative Council submitted a formal collective response.

FCO response to FAC report

www.fco.gov.uk/en/about-the-fco/publications/publications/fac-response/session-2008

Click on *Government response to the FAC Report on the Overseas Territories*

The FCO submitted a formal response to the report of the FAC inquiry into the Overseas Territories.

See particularly: paragraphs 100 and 101

National Audit Office report

www.nao.org.uk/publications/0708/managing_risk_in_the_overseas.aspx

In November 2007, the National Audit Office published a report on how the UK Government manages the risks to the UK from its relationship with the Overseas Territories. The report considered whether UK government departments work effectively, in conjunction with Territory governments, to manage and mitigate risk; if appropriate cross-cutting arrangements are in place across the UK Government to identify, prioritise and respond to risks, and; whether suitable and sufficient resources are available to, and deployed by, UK Government to manage the risks to the UK from its relationship with the Overseas Territories. The report reviewed progress since the NAO's previous report on the Overseas Territories in 1997.

St. Helena Sustainable Development Plan

www.news.co.sh/Newspapers/DRAFT%20SDP070307.pdf

In November 2007, the St Helena Government published its first Sustainable Development Plan, following extensive consultations

with public and private sector groups and individuals. The SDP 2007/08-2009/10 sets out a broad development strategy for the island of St Helena, which is supported by a vision and six strategic objectives. The purpose of the SDP is to help the Government of St Helena to charter the territory's social and economic transformation.

FCO White Paper

The following FCO White Paper explains the Government's commitment to the Overseas Territories. Extracts from it are reproduced in Annex H of this Consultation Document.

www.fco.gov.uk/resources/en/pdf/pdf3/fco_pdf_overseasterritories17

DFID White Papers

The following DFID White Papers mention the Government's commitment to the Overseas Territories. Extracts from them are reproduced in Annex H of this Consultation Document.

www.dfid.gov.uk/pubs/files/whitepaper1997.pdf

www.dfid.gov.uk/pubs/files/whitepaper2000.pdf

Swimming Against The Tide: How Developing Countries Are Coping With The Global Crisis, World Bank (March 2009)

Estimates of the financing needs of developing countries as a result of the financial crisis.

<http://siteresources.worldbank.org/NEWS/Resources/swimmingagainstthetide-march2009.pdf>

The Implications of the Global Financial Crisis for Low-Income Countries, IMF (March 2009)

This paper analyses the impact of the global financial crisis on LICs. It provides an overview of the possible impact of the crisis on the short-term macroeconomic outlook. To assess the magnitude of the effects, the paper compares January 2009 projections with those made before the crisis.

[/www.imf.org/external/pubs/ft/books/2009/globalfin/globalfin.pdf](http://www.imf.org/external/pubs/ft/books/2009/globalfin/globalfin.pdf)

Annex C - Previous consultations and Referendum

The provision of air access to St Helena is an issue which has been discussed over many years both on the island and overseas. This section explains the key information and consultation activities which have been carried out to date.

Consultation has been carried out in a wide range of locations to ensure that Saints living both on the island and away from home have been involved in the process. The far-reaching consultations have involved a range of local and international organisations and professional specialists, as well as interested members of the public.

2002 Referendum

The Referendum was held on 4th February 2002. Polling facilities were provided on St Helena, the Falkland Islands, Ascension Island and for the RMS St Helena Crew. The specific question asked was as follows:

"I would like to have an airport on St Helena, with alternative arrangements being made for shipping

Or

I would not like to have an airport but would like to have a replacement RMS St Helena"

Before the Referendum the (then) Air and Sea Access Team conducted an island-wide information campaign from September 2001 through to January 2002. The aim of the campaign was to ensure that people were well informed before casting their votes. The target audience was primarily St Helena residents, but also included Saints on Ascension Island, the Falkland Islands and on board the RMS St Helena.

A total of 16 public meetings were held, which included discussions on the economic, social and environmental impacts of air access, as well as the technical aspects of the concept. In addition, displays were set up in 15 shops throughout around the island,

on all notice boards and at Prince Andrew School. In December 2001 an Air and Sea Access Information Centre was officially opened in Jamestown to disseminate information and answer queries. Informative display areas were also set up in locations off the island at Georgetown, Two Boats and the American base on Ascension Island. Two displays were arranged for the Falkland Islands, one at Mount Pleasant and the other in Port Stanley. Information packs were sent to Ascension Island, the Falkland Islands and to the RMS St Helena.

Post Referendum

Establishment of Local Access Office

In January 2004, DFID provided the funding for a dedicated SHG Access Project Manager to be based on St Helena and the Access Office was soon officially opened in the Castle in Jamestown.

Atkins' Feasibility Study

In the preparation of the 2004 Feasibility Study, a number of consultations were carried out locally in the form of public meetings, focus groups and one-to-one surgeries. In addition, there was a regular supply of press releases and radio interviews to keep the public informed of progress. All lead consultants visiting the island in relation to the Feasibility Study were required to hold at least one public meeting in Jamestown to present their visit objectives and the relevance to the study. The lead consultant on social impacts also visited the Falkland Islands and Ascension Island to consult with Saints there.

Table 2: Voting statistics

	AIRPORT	REPLACEMENT OF RMS	SPOILED VOTES	TOTAL (INC SPOILED VOTES)
OVERALL				
Votes cast	1,577	626	13	2,216
% valid votes	71.6%	28.4%		
Potential voters				4,473
% turnout				49.5%
ST HELENA				
Votes cast	909	583	10	1,502
% valid votes	60.9%	39.1%		
Potential voters				3,384
% turnout				44.4%
ASCENSION				
Votes cast	346	26	2	374
% valid votes	93.0%	7.0%		
Potential voters				657
% turnout				56.9%
FALKLANDS				
Votes cast	286	12	1	299
% valid votes	96.0%	4.0%		
Potential voters				388
% turnout				77.1%
RMS CREW				
Votes cast	36	5	0	41
% valid votes	87.8%	12.2%		
Potential voters				44
% turnout				93.2%

DFID Visit – April 2005

A DFID team led by the Head of Overseas Territories Department visited St Helena following the Ministerial announcement on March 2005. During their week on island, they met with Executive and Legislative Councillors, government officials, private sector and NGO representatives and members of the public. Radio interviews and a public meeting were arranged.

Post Announcement

Following the ministerial announcement planning commenced on project preparatory work and the recruitment of specialist consultants. As before, public meetings were organised for each group of consultants so

that their work objectives and their relation to the project could be discussed.

Public Information Week – April 2006

In April 2006, prior to the Invitation to Tender documents being released, representatives from DFID, Atkins, and Faber Maunsell (the environmental consultants) arrived on St Helena to assist the local Access Project Manager with an island-wide consultation exercise. The team were also joined by Professor Michael Adler from the Royal Free and University College Medical School who specialised in the subject of HIV and AIDS. Professor Adler's visit was organised as a result of local concerns.

In addition to meeting with Councillors, private sector and NGO representatives, an island wide road show and Public Meetings were arranged throughout the week and people were shown a series of high quality graphics which provided an artists impression of the airport and supporting infrastructure. The comments and information provided by the consultees were used to inform the project plans and documentation.

Visit to Ascension & Falkland Islands

In 2007 St Helena Government's Access Project Manager visited Saints on Ascension and the Falkland Islands to consult on the airport project. Three public meetings were held on Ascension in Georgetown, Two Boats and the Volcano Club. Meetings on the Falkland Islands were held at Mount Pleasant as well as in the Malvina Hotel in Port Stanley. High quality graphics were on display at all meetings and specially produced brochures were distributed. Informal airport discussions also took place outside the planned meetings.

Loss of Contractors – August 2006

In August 2006, following the loss of the three shortlisted tenderers from the first round of the airport project's evaluation process, the SHG Access Project Manager and the DFID Representative to St Helena organised a series of meetings including a public meeting to keep everyone updated with project events and to discuss the next steps.

Development Permission – May 2008

In May 2008, the DFID and SHG Access Project Managers held a week long series of meetings around the island as a part of the airport development permission consultation. Full sets of the documents were taken to each meeting for people to view and specially printed summarised versions were distributed. A new set of high quality graphics based on the drawings submitted with the planning application, were on display.

Annex D - St Helena airport timeline

A history of the consideration of air access for St Helena

DATE	ST HELENA AIRPORT PROJECT: KEY EVENTS
October 1943/ January 1944	South African Air Force undertake survey on Prosperous Bay Plain and conclude that while technically feasible, an airport is not a practical proposition.
May 1973 and April 1987	Civil Aviation Authority studies conclude that while it would be feasible to develop a single runway aerodrome on St Helena, the costs would be considerable.
August 1999	Initial Feasibility Study carried out by the Symonds Group concludes that it would be technically feasible to develop air access to St Helena. Unsolicited proposals received from James Teale and SHELCO to develop air access to St Helena.
July 2001	High Point Rendel Comparative Study of Air and Sea Access to St Helena concludes that a replacement ship would cost £26.3 million, and an airport £38.2 million, but suggests that air access represents the best option in the long term.
January 2002	Referendum in St Helena shows that 71.6% of those who voted favour air access.
May 2002	DFID enters into discussions with SHELCO on a public/private-funded airport, on the understanding that DFID contribution limited to £26.3 million.
August 2002	Discussions with SHELCO break off.
March 2003	DFID agrees to testing of the market to determine private sector interest in developing air access to St Helena on the basis of a maximum capital cost contribution of £26.3 million from DFID (representing the estimated cost of a replacement ship).
August 2003	Of the four responses received, the only compliant response came from SHELCO.
April 2004	After consideration of the responses, the St Helena Government and DFID cancel the invitation process and agree to conduct full feasibility work.
January 2005	Detailed Feasibility Study final report recommends development of air access to St Helena.
March 2005	Ministerial Statement on the development of air access, subject to acceptable contracts and a rigorous environmental impact assessment (EIA).

May 2005	DFID team visits St Helena to put in place management arrangements for access project and agree associated policy and development work.
June 2005	Office of Government Commerce Gateway Review confirms procurement approach.
December 2005	Expressions of interest for Design, Build and Operate (DBO) contract for the airport received from three South Africa/UK joint venture consortia; all three are pre-qualified.
2005/2006	Extensive Environmental Impact Assessment work carried out on St Helena including public consultation.
June 2006	All bidders pull out with concerns over risk allocation.
September 2006	Original DBO procurement process cancelled. Contract conditions revised following procurement review, and new Expressions of Interest sought
November 2007	Two bids received from Impregilo SpA and Basil Read (Pty) Ltd).
April 2008	Approval from DFID Ministers to enter into competitive negotiations with Impregilo SpA and Basil Read (Pty) Ltd).
May 2008	Application for Development Permission submitted to the Governor in Council accompanied by full public consultation across the island by SHG and DFID team. Negotiations with Impregilo SpA and Basil Read (Pty) Ltd) in London, Milan and South Africa.
September 2008	Revised bids received from Impregilo SpA and Basil Read (Pty) Ltd) in London, Milan and South Africa. Development Permission granted by Governor in Council.
October 2008	Impregilo SpA appointed as Preferred Tenderer
December 2008	Secretary of State (Douglas Alexander) announces a pause in the airport contract negotiations.
March 2009	Secretary of State (Douglas Alexander) announces a public consultation to help him make a final decision as to the most appropriate form of access for St Helena in the current economic climate.

Annex E - Written Ministerial Statements

Relevant Ministerial statements on air access for St Helena.

16 September 2003

*The Parliamentary Under-Secretary of State for International Development
(Mr. Gareth Thomas):*

An international invitation for private sector participation and potential investment in possible development of access by air for St. Helena was launched on 7 April 2003. The invitation incorporated a provisional offer by the Department for International Development to contribute up to £26.3 million towards any proposal that may prove acceptable. This sum reflected the estimated capital cost of replacing the island's dedicated passenger/supply ship, as the alternative to developing air access.

Four expressions of interest, incorporating outline proposals, were received by the closing date of 25 July from:

- Basil Read (Pty) Limited (South Africa);
- John Laing International Limited;
- Lagan Holdings Limited; and
- St Helena Leisure Corporation Limited (SHELCO).

A full assessment of these proposals is now being made, with the help of expert advice, in consultation with the St. Helena Government. This process first will establish whether any or all of the proposals offer a suitable basis for proceeding further. If so, respondents may be invited to develop their proposals and, if appropriate, enter negotiations with the St. Helena and UK Governments. We hope to reach negotiation stage by early next year.

In addition, and in parallel, we intend to initiate a process of continuing an independent review using the "Gateway" model. This is advocated for large public investment projects by the Office of Government Commerce, which is

advising DFID. It will test the business case for proceeding and help ensure that lessons of other public/private investment are taken into account.

Both the St. Helena Government and DFID have established internal teams to oversee and manage the process. The St Helena Government is now in the course of recruiting a local coordinator. Every effort will continue to be made to ensure that the people of St. Helena, as well as other interested parties, are kept as fully informed as possible of progress and next steps.

19 April 2004

*The Parliamentary Under-Secretary of State for International Development
(Mr. Gareth Thomas):*

On 16 September 2003, Official Report, col. 43WS, I announced in a written statement to the House that four expressions of interest had been received to last April's international invitation for private sector participation and potential investment in possible development of access by air for St. Helena. Since then, as anticipated in my statement, a full assessment of the four proposals has been carried out with the help of expert advice from Atkins Management Consultants and in consultation with the St. Helena Government.

That assessment is complete. After very careful consideration, and taking account of the advice provided in December 2003 and February 2004 by Atkins Management Consultants, we have concluded that none of the four outline proposals offers a basis upon which we might negotiate air access for St. Helena with DFID financial assistance as described in the invitation. The four respondents to the invitation have been

informed. We have further decided, in the light of detailed scrutiny of the four proposals and subsequent analysis, to discontinue attempts to develop air access as part of a cross-linked package of private sector investment in which air access would be part-funded by proceeds from other private development. These decisions were based on our carefully considered conclusion that this approach presents unacceptable levels of risk and uncertainty to the St. Helena and UK Governments.

Nevertheless, we understand that air access still remains the preferred option of the people of St. Helena for maintaining physical links with the island after the present ship is withdrawn from service during or soon after 2010. We will work with the St. Helena Government to explore ways of providing air access and the value for money of these against other options. The costs are likely to be substantial. We therefore will conduct full feasibility and other investigatory work, which will take account of all costs and long-term impacts, in order to inform future decisions. The St. Helena Government and DFID expect to be in a position to take these decisions later this year.

Meanwhile, St. Helena has appointed its own local coordinator to assist in the process. We shall continue to ensure that, with her help, the people of St. Helena and others are kept as fully informed as possible of progress.

14 March 2005

The Parliamentary Under-Secretary of State for International Development (Mr. Gareth Thomas):

On 19 April 2004, Official Report, column 1WS, I announced in a written statement that the Government would be undertaking feasibility and other investigatory work to determine how best to ensure access for St. Helena when St. Helena's passenger and supply ship, the RMS St. Helena, is withdrawn from scheduled service in or around 2010.

That work is now completed. We have looked not only at issues relating directly to access, but also at the potential of various access options to encourage the development of a vibrant island economy. This reflects our aim, shared with St. Helena, to achieve economic growth for the island.

We have decided that, subject to satisfactory contract bids and a rigorous environmental impact assessment, we will establish air access for St. Helena. This will entail providing an airport, with a 2,250m runway, near the eastern coast at Prosperous Bay plain. It will be capable of supporting the safe operation of long-haul jet aircraft, such as the Airbus A320 and Boeing 737-800. We will also provide advice to help establish regular air services; and we will support the St. Helena Government in taking advantage of the economic benefits that the new investment should bring to the island. All private sector investment interest will be considered on an equal footing.

For its part, amongst other supporting work, the St. Helena Government will review local legislation on inward investment, immigration and taxation. Our shared aim with St. Helena will be the creation of a policy environment, against a transformed background of good access, that will encourage sustainable economic development and progress for St. Helena and its community.

08 December 2008

The Secretary of State for International Development (Mr. Douglas Alexander):

DFID and Her Majesty's Treasury are in continuing discussions about issues of concern regarding access to St. Helena. As a result, there will be a pause in negotiations over the St. Helena airport contract. The Government of St. Helena and relevant commercial parties have been advised of the situation and will be kept updated.



16 March 2009

The Secretary of State for International Development (Mr. Douglas Alexander):

I announced on 8 December 2008 a pause in negotiations over the St Helena Airport contract. Having reviewed the situation in the light of the current global economic climate,

I have decided to hold a consultation on options for access to the island. DFID will issue a consultation document in early April. Any interested parties will be invited to submit their views. The Government of St Helena and relevant commercial parties have been advised of the situation and will be kept updated.

ANNEX E

Annex F – DFID support to St Helena 1998-2008

DFID support to St Helena over the last ten years is set out in the following table:

YEAR	DFID SUPPORT
1998/99	£8.8 million
1999/2000	£9.4 million
2000/01	£10.1 million
2001/02	£10.1 million
2002/03	£9.6 million
2003/04	£10.5 million
2004/05	£14.5 million
2005/06	£13.6 million
2006/07	£15.7 million
2007/08	£17.6 million

Annex G – Cost of operation and maintenance of RMS St Helena, 2001-2008

YEAR	Total operating cost (incl. DFID operating subsidy)	Maintenance/ repair cost	DFID operating subsidy
2001/02	£5,404,060	£463,000	£1,931,066
2002/03	£5,810,900	£512,000	£1,405,443
2003/04	£4,846,200	£939,000	£1,469,127
2004/05	£6,295,280	£556,000	£2,511,597
2005/06	£6,439,830	£540,000	£2,337,879
2006/07	£6,986,200	£925,000 ¹	£3,056,000
2007/08	£6,744,000	£707,000	£2,728,137

¹ Includes dry dock

Annex H - Legal context and Government policy

A summary of the UK's legal and policy commitments to its Overseas Territories.

UK's primary legal responsibilities for the Overseas Territories derive from Article 73 of the United Nations Charter:

“Members of the United Nations which have or assume responsibilities for the administration of territories whose peoples have not yet attained a full measure of self-government recognize the principle that the interests of the inhabitants of these territories are paramount, and accept as a sacred trust the obligation to promote to the utmost ... the well-being of the inhabitants of these territories, and, to this end:

- a) to ensure ... their political, economic, social, and educational advancement ...
- d) to promote constructive measures of development”

The Charter is binding on the UK under international law. The UK is required to report annually to the UN Committee of 24 (Decolonisation Committee) on each of our populated OTs. The Committee takes a keen interest in whether we are complying with our Charter obligations. In general, the UK is also responsible for ensuring compliance with international obligations of the UK which have been extended to its Overseas Territories.

To meet these legal responsibilities, it has been the settled policy of Governments that the development needs of Territories are a first call on the aid programme. The most recent restatements of our obligations were made in DFID's 1997 and 2005 White Papers and the FCO's 1999 Overseas Territories White Paper.

DFID 1997 White Paper

“The Government reaffirms its responsibilities for Britain's 13 remaining Dependent Territories. ... The reasonable assistance needs

of the Dependent Territories are a first call on the development programme.” (para 2.28)

The White Paper then sets out the three objectives for providing development assistance to the Territories:

“to maximise economic growth and self-sufficiency through sensible economic and financial management leading to graduation from such support, where this objective is feasible

to ensure in the meantime that basic needs are met, including the provision of essential infrastructure

to support the good governance of the territories, including the proper management of contingent liabilities ...”

FCO 1999 White Paper

This reviewed the totality of the UK's relationship with the (renamed) Overseas Territories and set out four guiding principles for future relations:

- self-determination (independence if it is wanted; remaining British for as long as a Territory wishes)
- mutual responsibility (“Britain is pledged to ... encourage their sustainable development”. Right of UK to expect highest standards of probity and good governance in return.)
- autonomy (Territories take “greatest possible control over their own lives”)
- assistance (“Britain will continue to provide help to the Territories that need it.”)

Commitments are further elaborated in a chapter on Sustainable Development which, in addition to repeating the three DFID objectives

from 1997, addresses the needs of particular Territories:

“We recognise responsibility to help them achieve sustainable development, targeting the needs of the poorest and the vulnerable, and the special considerations that apply to the small island territories ... for example ... the problems of physical access and isolation which apply in some cases.” (Para 7.2)

“The Government, acting through DFID, will continue to help the Overseas Territories to achieved sustainable development.” (Para 7.4) (emphasis added)

“The Government recognises its responsibility to provide necessary and

appropriate development support to these territories up to the stage where they can be said to have achieved economic self-sufficiency.” (Para 7.5)

DFID 2005 White Paper

The commitment to the Territories is contained in the opening chapter (‘Delivering our Promises’) in these terms: “The UK will continue to meet the development needs and promote the self sufficiency of the UK’s Overseas Territories.”

Annex I – Code of practice on consultation

The Seven Consultation Criteria

1. **When to consult:** Formal consultation should take place at a stage when there is scope to influence the policy outcome.

2. **Duration of consultation exercises:** Consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.

3. **Clarity of scope and impact:** Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.

4. **Accessibility of consultation exercises:** Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.

5. **The burden of consultation:** Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.

6. **Responsiveness of consultation exercises:** Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

7. **Capacity to consult:** Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.

The full text of the Government Code of Practice on Consultation can be found at:

www.berr.gov.uk/whatwedo/bre/consultation-guidance/page44420.html

If you consider that this consultation does not comply with the criteria or have comments about the consultation process please contact:

Consultation Coordinator
Overseas Territories Department
DFID
1, Palace Street
London
SW1E 5HE

or

Consultation-coordinator@dfid.gov.uk