

RMS ST HELENA PASSENGER TARIFF INCREASES

Prior to DFID's recent Development Aid Planning Mission (DAPM) visit, preparations for the RMS subsidy negotiations were already underway. It became clear during the various discussions, calculations and assessments of the RMS costs for financial year 2011/12 that SHG could no longer expect to be given an ever increasing subsidy, without being prepared to review and increase the passenger and freight tariffs.

The last increases were implemented in March 2008,

A review was undertaken and completed just before the DAPM Team's arrival on island. It highlighted a number of issues, including:

- Although people might think that less frequent increases are better than annual increases, this is not the case. If we continue not to implement annual increases in line with inflation, the gap between income and costs will inevitably become greater each year which means a bigger increase will always be required to get back on track. It's much better to have smaller and manageable annual increases which people are aware of and can plan for.
- Half of the benefits of non-increases are passed to tourists and business passengers as they make up 50% of passengers.
- The financial situation of the RMS is continuing to deteriorate as costs continue to increase.

To address the above issues and to cover inflation since 2008, it was agreed that a **13% increase on passenger tariffs would be applied to bookings for travel from 5th August 2011 (i.e. after Dry Dock), onwards.** This means that berths on the RMS will increase by this amount.

However, the Governor, the Access & Transport Committee and SHG Officials alike, recognised that a 13% increase would be difficult for the majority of the people living on St Helena to afford and we therefore sought DFID's agreement to apply a 10% concession to all St Helena residents who are booking a return passage from St Helena with effect from 5th August 2011.

This means that **those residents on the island who are eligible and whose journey starts and ends on St Helena, will pay 10% less as long as they book a return ticket to return within a certain time period.** Of course, we must ensure that this new system isn't abused and we are currently working on the finer details which will be announced later.

With regard to freight charges, the review recommended that these also be increased by around 10% overall as they too had not been increased since March 2008. However, whilst we recognised that this increase is inevitable and has to be done, **we again considered the affordability at this current time and argued against a freight increase until the airport contract is signed and the public and merchants have more confidence in the potential for economic growth.** We gave a commitment to reviewing and increasing the tariff at that time. We are pleased to report that the DAPM team sympathised with our argument and were in agreement.

The shipping subsidy of £4.75 million and Capital Expenditure of £463,000 was agreed on the basis of the above and was also subject to the condition that the shipping operation is run as efficiently as possible to ensure SHG and DFID are getting best value for money.

For easy reference, listed below are the changes mentioned above and a number of others that will come into effect within the coming months with regard to the RMS:

- Overall passenger tariff to increase by 13% for travel from August 2011 (those who have already pre-booked and paid will not be subject to the extra charge).
- St Helena residents starting their travel in St Helena and booking a return trip within a certain time period, will be entitled to a 10% concession of the new ticket prices. Further details relating to the period for return and the process will be announced later.
- The current charge for Bunkers will be absorbed into the passenger and cargo tariff with effect from August 2011.
- The freight tariff increases will not be implemented until the signing of the airport contract (in the current tendering process).
- A smaller annual inflationary increase will be introduced so that we do not leave ourselves in a situation where we have to suffer larger infrequent increases as we do now.
- Increase the fares of those cabins booked for sole occupancy to ensure that anyone not wanting to share will pay no less than 80% towards the full cabin cost.
- Introduce yield management practices i.e. offer last minute seasonal reductions for 'difficult-to-fill' voyages and offer special price upgrades to passengers arriving on board if cabins are empty (again the finer details are still to be agreed to ensure these offers aren't abused).

- Transit tourists passengers (those passengers who just use the RMS to get from one place to another without actually booking into accommodation on St Helena) are to be discontinued if passenger numbers increase (these passengers are most likely to spend the least money on island).
- Streamline and standardise the freight tariffs which are currently over complicated with eight different rates.
- Review the existing shipping structure and formalise SHG's increased role in shipping management.

The above changes will come into effect immediately but will only apply to new bookings for travel as from 5th August 2011. Because a lot of RMS bookings have already been made, we do not anticipate any significant increases to the revenue projections for this financial year but expect to see the full benefits next year. .

Meanwhile, we remain committed to ensuring that St Helena receives best value for money as we continue to optimise the performance of the RMS and provide the best possible service to the island.

Sharon Wainwright
Director of Access & Shipping
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