

## TRANSPORT ADVISORY COMMITTEE

### DRAFT OPEN MINUTES

**Minutes of the meeting held at 1pm on 10<sup>th</sup> March 2016  
In the PWD Conference Room, Stanley**

***“These minutes are draft minutes until confirmed by  
Resolution at the next meeting of this Committee”***

Present:	Hon Gavin Short (GS)	MLA
	Mr Colin Summers (CS)	Director of Public Works
	Miss Louise Pole-Evans (LPE)	Island Representative
	Mr Adam Cockwell (AC)	Work Boat Services
	Mr Gus Reid (GR)	East Representative
	Mr Martin Slater (MS)	Managing Director, FIDC
	Mr Marvin Clarke (MC)	Stanley Representative
Minutes:	V McLeod	PWD
<b>PART I</b>		
		<b>ACTION</b>
<b>1.</b>	<b>Apologies</b> Hon Phyl Rendell – MLA Mr Simon Catton – Roads Engineer Mr Keith Knight – West Falklands Representative Mr Matt Bassford – Director of Central Services Mr Morgan Goss – FIGAS Representative	
<b>2.</b>	<b>Declarations of Interest</b>  None	
<b>3.</b>	<b>Confirmation of Open Minutes held on 9<sup>th</sup> December 2015</b> Minutes were confirmed with a few spelling errors picked out.	
<b>4.</b>	<b>Matters Arising from the minutes held on 9<sup>th</sup> December 2015</b>  <u>Roads to Non-Agricultural Destinations</u> MS informed that a paper had been submitted to ExCo and published. FIDC have concluded their involvement in this and that FIDC do not have any funding to take this forward. CS also said no funding had been put into the Capital Budget.  Paper done by Head of Policy in 2014, FIDC worked with this to come up with a better solution but was unable to do so. Generally there were no identifiable economic benefits to progress schemes but alternative criteria may need to be considered. It was expected that any future road works would fall to PWD but no resources are at the moment  MC said that MLA’s should give a clear direction.  MS said he would get the 2 ExCo papers forwarded so they could be issued with the minutes so members could read through the proposals.	

CS said that no budget submission had been made and suggested that GS may wish to raise this at the budget meeting on the 17<sup>th</sup> March 2016.

#### Ferry and Coastal Shipping Review

The review has been concluded and all is going along nicely.

#### Port Howard Jetty

Nothing more to report since the last meeting. The lighting issue is with the Design Section, this is on the new Design Engineers list of works to do.

#### Cattle Grids

The grids are progressing well with 3 completed so far with no issues.

#### Culvert Replacement

Works going well. Arthur Turner is currently doing the last one on the East. He will then go to the West and complete two culverts there before the end of season.

#### North Arm Road

Works on schedule, progressing well. SC is reviewing the Shallow Harbour works with Peter McKay today.

#### West Roads

LPE mentioned that there were still soft spots, CS informed that SC is going to be looking at these as he is on the West now. CS also informed that he has asked for additional money which was approved at the last SFC meeting to help with these works.

It was mentioned that the soft spots are mainly on the areas that have not been capped.

CS also reported that the MOD are not going to be doing a flying squad now. This is due to their plant breaking down, but they do have a man out on the West that is doing some works with what plant they have available.

LPE asked if SC has prepared a paper showing farms which are unoccupied, CS confirmed that this has not yet been done.

#### Agency Staff

CS reported that they are all working well with no complaints.

Quarry Section have 4 workers with 2 at the Quarry and 2 at the Asphalt Plant. Highways have 4 workers which have been split between the Grading crew, town gang and Asphalt crew. The asphalt workers are on target with the MPA road.

CS said that the CV's were spot on. The Lorry drivers did only drive automatics in the past but have now got the hang of the manual lorry's

#### West Road Grading

SC is checking progress today; works should be completed in another week's time. Works are on target.

#### Capping

GR said it was a waste using Terram everywhere. Terram was used only if the road was ½ meter deep but now used on existing roads. CS informed that Geogrid is now being used which is different material.

Terram/Bidim goes under the road construction Geogrid is mesh and goes in

	<p>between the layers.</p> <p><u>Jetties</u>  Nothing further to report , Lively Island works are still to be done including other destinations which were picked up on the coastal review – This is to be done by the new Design Engineer</p> <p>CS informed that a line entry on the Capital budget submission has been included in the 2016/2017 budget.</p> <p>MC asked if the position of the Stanley Representative would be advertised so that the general public are aware of whom they should go to if they have an issue with anything. CS said this should not be a problem and we can advertise this in the Penguin News</p>	
<b>5</b>	<p><b>Date of Next Meeting</b></p> <p>Thursday 9 June 2016, 13.30 Liberation Room</p>	
	The meeting closed.	

# EXECUTIVE COUNCIL

## CONFIDENTIAL

**Title of Report:** Roads to Non-Agricultural Destinations

**Paper No:** 201/14

**Date:** 15<sup>th</sup> October 2014

**Report of:** Head of Policy

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### 1.0 Purpose

- 1.1 To present proposals for a programme to provide public sector subsidy to enable the construction of roads to destinations other than farms.

### 2.0 Recommendations

- 2.1 Executive Council is recommended to:

- Reject the proposals for a policy of subsidising roads to non-agricultural destinations as proposed, on the grounds that it will not deliver on the implicit requirement for such projects to deliver net economic benefits to the Falkland Islands over a 25 year period.

#### **Not Agreed**

- Agree that variant proposals **may be submitted to FIDC for analysis in accordance with paragraph 5.2 to** (~~excluding a requirement to demonstrate net economic impact~~) be considered as part of the development of the National Infrastructure Plan (NIP) in order that the relative priorities for Islands' infrastructure development can be ascertained.

*Responsible Officer: Head of Policy to liaise with Financial Secretary (who is leading the NIP) to ensure inclusion in the NIP.*

### 3.0 Additional Budgetary Implications

- 3.1 None.

### 4.0 Background

*Note: This paper draws heavily on work prepared by FIDC in developing proposals for a policy on roads to non-agricultural destinations. Some of the*

*content of this paper is replicated from a report prepared by FIDC for discussion at the Transport Advisory Committee (TAC) on 21<sup>st</sup> August 2014.*

- 4.1 Before 1990, the extent of the Falkland Islands road network was limited to Stanley, the MPA road and 7kms of road on West Falkland. In 1989/1990, road construction plant was purchased by FIG with the objective of building roads to all occupied farms in the Falkland Islands. The initiative was partly funded by STABEX, a stabilisation of export earnings grant provided by the European Union (EU) from 1990 but discontinued in 2006. The construction of roads was financed from funds dedicated to 'Jetties, Sea Truck Ramps and Link Roads', which were allocated (in total) just over €1.8m from STABEX. By 2010, the construction of roads to all occupied farms was virtually complete. The delivery of the programme has enabled FIG to achieve its objective of 95% of the Falkland Islands population living within a 30 minute drive of the road network.
- 4.2 This current policy supports the road requirements for farms and excludes other destinations (e.g. tourism accommodation providers, places of interest, businesses and private residences). This absence of a roads policy for other destinations has raised the issue of 'roads to non-agricultural destinations' on several occasions. In each case FIDC has prepared proposals at the request of FIG/MLAs:
- In 2007 the FIDC General Manager at the time, proposed a policy that roads to non-agricultural destinations be constructed by the private-sector, with financial assistance from FIDC. The level of FIDC funding would be determined by the business case for each individual road. The business case would identify the level of increased profit caused by the road, and if justified would receive a loan. If there was an environmental justification for the road, a grant could be provided. The report concluded that the funds for this initiative would be provided by the FIDC reserves. The progress of this paper stalled and the next FIDC General Manager was asked to revisit the subject.
  - In 2010, the then FIDC Business and Finance Development Analyst, proposed a policy that was based on the economic benefit of the potential applicant's road to a non-agricultural destination. The level of FIG financial support for the construction of the road was dependent on the level of economic benefit over 20 years. Essentially, the higher the economic benefit the higher the FIG financial contribution to build the road. Due to lack of funds no further action was taken at that time and the project was shelved.
  - In June 2014, FIDC was again asked by MLAs to revisit this subject and to propose a policy for the construction of roads to non-agricultural destinations. The proposals have been discussed by the FIDC Board and the Transport Advisory Committee, with the Head of Policy then requested to present the proposals to Executive Council.

## 5.0 Proposals for a Subsidy for Roads to Non-Agricultural Destinations

5.1 In essence the proposal is that FIG allocates a dedicated budget to part-finance the construction of roads to non-agricultural destinations. It is envisaged that applications would be invited for such proposals and each would be assessed on its merits (with an indicative assumption that perhaps one or two new roads would be constructed each year, depending on the level of funds allocated to the scheme).

5.2 Based on discussions of the FIDC proposals with the Transport Advisory Committee (at its meeting of 31<sup>st</sup> July 2014), the TAC agreed that if the scheme was to progress the following conditions would be attached:

- Any existing or new business would be eligible to apply for the subsidy;
- The cost of constructing the road will be split between FIG and the private sector business, with the relative contributions to be determined on a sliding scale depending on the value of the economic benefit and returns generated;
- Once built, the road may become a public highway – conferring an obligation on FIG to maintain the road on an on-going basis<sup>1</sup>;
- Applicants will be required to demonstrate the economic benefit of the road is equal or greater than the initial FIG financial construction contribution to the cost of the road over 25 years;
- Roads to be built by the private sector (to avoid placing additional pressure on PWD resources);
- Applicants will need to demonstrate that the proposed construction will meet the aims and objectives of the EDS, RDS and TDS;
- Applications related to tourism must be fully compliant with the schemes and initiatives of the Falkland Islands Tourist Board;
- Applicants **should** ~~to~~ include an environmental impact assessment in roads to non-agricultural destinations application **if required** (to ensure that positive and negative impacts are fully considered e.g. reducing adverse effects on plant life from off-roading; negative effects of increased traffic/visitors to sensitive sites etc.)<sup>2</sup>.

5.3 During discussions at the TAC it was agreed that a precondition of the scheme will be that applicants will need to demonstrate the economic benefit of the road is equal or greater than the initial FIG financial contribution and the cost of the road over 25 years. As proposed in the FIDC paper:

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<sup>1</sup> The TAC recommendation was that a determination be made on each road as to whether it is to be designated a public highway based on a consideration of the balance of benefits to the Islands as a whole and the benefits to the individual business.

<sup>2</sup> Work is ongoing to introduce Environmental Impact Assessment (EIA) regulations to support the planning system (Executive Council report 97-14). One of the potential features of this is that where development which is permitted development under the General Development Order (i.e. has a blanket planning permission and thus does not require a specific planning application) but has the potential to have a significant environmental impact, it would lose its permitted development rights. This may mean that in future the construction of camp roads requires planning permission, which will provide a structured framework for public engagement and the assessment of potential environmental impact.

“The calculation of the economic benefit will need to be predetermined and be included in a potential road to non-agricultural destinations application form. Its inclusion in the application form will ease the process for the applicant and the assessor (likely to be the Policy Unit). The economic benefit could consist of the estimated additional Gross Valued Added (GVA [e.g. wages, salaries, directors’ fees, profits, etc.]) and tax generated by the business after benefitting from the construction of the proposed road. Also (depending on the recommendation from the Policy Unit), direct, indirect and induced economic multipliers could be included in the economic benefit calculation. The Policy Unit is best positioned to review and update the method to calculate the economic benefit for roads to non-agricultural destinations.”

5.4 It is the author’s opinion that the scheme will be unworkable if a condition to demonstrate net economic benefit to the Islands is included as it is inconceivable that construction of roads (with small levels of traffic) will generate sufficient economic return to repay the costs of investment. By way of illustration:

- It has been estimated that the cost of constructing 1km of road will be in the region of £100,000. Conservatively assuming a maintenance cost of £5,000 per annum (which could vary hugely if roads are on remote islands etc.), then the total cost of a single kilometre of road over a 25 year period would be £220,000.
- In order to provide a net economic return, each single kilometre of road would need to generate an additional 2,000 tourist nights over this period (based on current levels of tourist spending). This equates to an additional 80 tourist nights per annum for each kilometre of road constructed (tourism is assumed to be the primary source of potential economic return given that agricultural transport costs and productivity will not be relevant in the context of ‘non-agricultural destinations’; neither are there are social benefits as such roads would not be connecting people to other communities or public services).
- It is considered by the author that the presence of a road to a particular destination will not in and of itself generate this level of additional tourist activity (people do not make visits to the Islands based on the presence of a road). Other quantifiable benefits such as nominal values of time saved and lives saved/injuries prevented are normally also factored into such assessments but the values will be minimal due to the low levels of traffic and relatively short distances involved.
- A road may generate more visits from local persons and/or displace some activity (e.g. people may choose to visit the destination with a road rather than somewhere else in the Islands) but this is not *additional* economic activity, merely displacing it from one location to another. One might expect a road to increase the number of local persons visiting certain sites which will generate some additional spending in the economy, however such individuals would spend far less than an overseas tourist (and hence a significantly greater number of such visitors would be required to justify the expenditure i.e. hundreds if not thousands of extra leisure visitors per annum based on the lower level of daily spend of such visitors). A road

may also facilitate easier visits from tourists (e.g. by coach instead of four-wheel drive vehicles), but not necessarily increase the total number of visits to the site. Potential effects of displacing visits from other sites would need to be considered, as well as potential knock-on effects in terms of lost business for traditional 4WD tourist drivers.

- Again, to put this in context taking Saunders Islands as an example, a road from the settlement to the Neck would require an estimated 13.3kms of road to be constructed<sup>3</sup> at a total cost of £1.33 million. Conservatively assuming annual maintenance costs at 5% of construction cost, the total cost of the road over a 25 year period would be £2.9million. The number of additional tourist nights needed to recoup this investment over this period would be in excess of 46,400, or an additional 1,800 tourist nights per annum (equivalent to an additional 10 tourist nights per day over a 6 month season for the 25 year period). Even if adjusted to reflect a maximum FIG contribution of 50% of construction cost (and 100% of maintenance costs), this would still require £2.2m of FIG investment over the period (requiring the equivalent of 1,400 additional tourist nights per annum to recoup the investment).

5.5 On this basis, it would be unwise to progress a scheme for which it will be almost impossible for any applicant to demonstrate a positive net economic return to the Falkland Islands, even over a 25 year period.

5.6 This is not to say that such a scheme would not benefit individual businesses – clearly the displacement effect and enhanced amenity of sites can be expected to deliver a certain level of additional income for those businesses. But this is quite different to delivering net economic benefits for the Islands as a whole.

5.7 Hence if delivering net economic benefits to the Islands is an overriding objective then the proposals should be rejected. If however, Hon. Members wish to implement a subsidy for private sector businesses (with potentially positive effects for public amenity and accessibility of sites) then it could be progressed. In doing so, it should be clearly understood that that is what the scheme is and that it will not deliver economic benefits to the Islands as a whole.

5.8 If it was to progress in this form there remain a number of issues to be resolved:

- Are only businesses in Camp to be eligible for the subsidy, or will it also be open to roads to non-agricultural destinations within the Stanley town boundary? (in which case it might include roads to commercial and industrial premises as well as tourist destinations within the 10km boundary).
- If applications are to be invited how are these to be prioritised? A first-come first served basis may lead to less optimal solutions, so if it is to

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<sup>3</sup> Estimate equivalent to the length of the existing track.

proceed it is recommended that the scheme be launched with a clear application deadline in order that all applications can be assessed on their merits. Given the benefits will be in the form of increased income to the applicant business and community amenity, it might be wise to place emphasis on community amenity rather than applications involving the highest return to an individual business (not least because of the displacement effect – i.e. some of these returns will be at the expense of other businesses on the Islands).

- A dedicated budget for the scheme would be required to be allocated in the 2014/15 budget (to avoid reducing the mainstream PWD road construction and maintenance budgets which are assumed to be required to deliver current roads policy). There is currently no provision for such a programme within the Medium Term Financial Plan (MTFP).

### **Recommendation**

- 5.9 From a private sector perspective, it is perhaps possible that with public sector support with construction costs and none of the cost of maintaining what has been built, a business may be able to generate enough of a return to justify the capital investment that might be needed to construct a road. However this does not equate to a net economic benefit to the Falkland Islands.
- 5.10 In the context of the Falklands economy as a whole, there is no *economic* rationale to justify public sector investment in such a programme; however issues of accessibility and public amenity to sites may be an overriding concern for Hon. Members. Hence public sector investment could be justified on these grounds rather than the focus of the proposals on economic and business growth.
- 5.11 It is therefore recommended that the proposals be rejected on the following grounds:
- The implicit assumption that such activities will generate a net economic benefit to the Falkland Islands over a 25 year period is unrealistic and unachievable;
  - There is significant financial risk to Government as it is also assumed that loan funding will be provided to businesses to enable them to finance their contribution to the construction of roads;
  - There are significant (and unknown) financial implications for Government in committing to the ongoing maintenance of roads that are to be constructed by the private sector;
  - Demand for the scheme is uncertain and further consultation is required to assess this (and the willingness and ability of firms to co-fund any road building given the costs involved).
- 5.12 Whilst there is currently no rationale for the proposed scheme in terms of net economic benefits for the Islands as a whole, if Hon. Members wish to accept the proposals as a means of subsidy for individual businesses and/or as a means to improving accessibility and public amenity of destinations then it

could be approved on that basis. In doing so, it should be made clear that the qualifying requirement is to demonstrate the benefit to the business and the public amenity benefits of the proposals (not net economic benefits to the Islands).

- 5.13 If there is a desire for the scheme to move forward in this form, there would be value in ensuring that it forms part of the forthcoming consultation on the National Infrastructure Plan which would allow the proposals to be considered alongside other infrastructure priorities for the Islands (and gauge public opinion on the relative level of priority compared to other roads/infrastructure needs).

## **6.0 Financial Implications**

6.1 None.

6.2 The recommendation of the TAC was for FIG to allocate a dedicated annual budget for the scheme, which could be managed through the RDS (which implies the scheme is for rural application only). If Hon. Members wish to take forward the scheme then funds will need to be allocated in the 2015/16 budget cycle. If they wish it to progress prior to July 2015, then either funds will need to be reallocated from elsewhere, or additional funds appropriated for the scheme.

5.2 Hon. Members are also asked to note that it is expected that a private sector business would need access to loan financing to fund their contribution of the road's construction costs, which may pose a strain on the FIDC loan budget, and presents additional financial risks.

## **7.0 Legal Implications**

7.1 None.

## **8.0 Human Resources Implications**

8.1 None.

# EXECUTIVE COUNCIL

## PUBLIC

**Title of Report:** Roads to Non-Agricultural Destinations.

**Paper No:** 20/16

**Date:** 27<sup>th</sup> January 2016

**Report of:** Managing Director - FIDC

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### 1.0 Purpose

- 1.1 To provide Executive Council with details of progress on the implementation of a scheme to provide public sector subsidy to enable the construction of roads to destinations other than farms;
- 1.2 Propose that responsibility for implementing the scheme be transferred to the Director of Public Works, in order that further progress can be made.

### 2.0 Recommendations

- 2.1 Honourable Members are recommended to;
  - a. Note the appended expressions of interest from businesses that may wish to benefit from the scheme for Roads to Non-Agricultural Destinations;
  - b. Consider the scheme's objectives and the previously agreed criteria, in light of information contained within the expressions of interest, decisions referred to within this paper and recently approved changes in tax legislation;
  - c. Note that the responsibility for implementing this scheme does not fall within FIDC's remit and is not provided for within its mission, objectives and priorities as described in the approved FIDC Business Plan;
  - d. Task the Director of Public Works with responsibility for reviewing applications for roads to non-agricultural destinations, on the basis of an improved public amenity/quality-of-life, and making recommendations to Executive Council in order that these might be considered on a case-by-case basis;

*Executive Council resolved to task the Policy Unit with input from the Director of Public Works with responsibility.....*

- e. Make this report public, with redactions as indicated. In particular, it is suggested that paragraphs 4.12 and 4.13 and Appendix B and C, are not made public by virtue of paragraph 7 of part 2 of schedule 3 of the Committees (Public Access) Ordinance 2012, relating to "Information about individuals". Paragraphs 4.14, 4.15, 4.16, 4.18 are also highlighted for redaction by virtue of paragraph 17 of part 2 of schedule 3 of the Committees (Public Access) Ordinance 2012, relating to "Budgetary information".

*Responsible Officer: FIDC, Managing Director  
Due Date: 27<sup>th</sup> January 2016*

### **3.0 Additional Budgetary Implications**

3.1 None.

### **4.0 Background**

*Note: This paper draws heavily on work prepared by FIDC in developing proposals for a policy on roads to non-agricultural destinations. Some of the content of this paper is replicated from ExCo paper no 201/14 drafted by the Head of Policy, at that time, for a meeting held on the 15<sup>th</sup> of October 2014.*

4.1 The provision of roads for destinations other than farms has raised the issue of a policy for roads to non-agricultural destinations on several occasions. In each case, FIDC has prepared proposals at the request of FIDC/MLAs:

4.2 In 2007, FIDC proposed a policy that roads to non-agricultural destinations be constructed by the private sector, with financial assistance from FIDC. The original proposal appears to have been based on the premise that road construction would address a market failure to unlock untapped economic potential by providing road access to destinations. Funds for this initiative would have been provided by FIDC's, now depleted, reserves.

4.3 In 2010 proposals included a cost benefit analysis to calculate the value added that a proposed road could generate and, in turn, the total net economic benefit that the road would deliver over a 20 year period. These proposals were shelved due to financial constraints.

4.4 In June 2014, FIDC was again asked by MLAs to revisit the subject and propose a policy for the construction of roads to non-agricultural destinations. Previous work undertaken was revisited and proposals were considered and discussed by the Falkland Islands Development Board (FIDB), Transport Advisory Committee (TAC) and the Head of Policy (HoP).

4.5 Based on these discussions, it was agreed, by the TAC (at its meeting on 31<sup>st</sup> of July 2014), that if the scheme was to progress the following conditions would be attached.

- I. Any existing or new business would be eligible to apply for the subsidy;*
- II. The cost of constructing the road will be split between FIG and the private sector business, with the relative contributions to be determined on a sliding scale depending on the value of the economic benefit and returns generated;*
- III. Once built, the road may become a public highway – conferring an obligation on FIG to maintain the road on an on-going basis;*
- IV. Applicants will be required to demonstrate that the economic benefit of the road is equal or greater than the initial FIG financial construction contribution to the cost of the road over 25 years;*
- V. Roads are to be built by the private sector (to avoid placing additional pressure on PWD resources);*

- VI. Applicants will need to demonstrate that the proposed construction will meet the aims and objectives of the EDS, RDS and TDS;
- VII. Applications related to tourism must be fully compliant with the schemes and initiatives of the Falkland Islands Tourist Board; and
- VIII. Applicants *should* ~~to~~ include an environmental impact assessment of the proposed road *if required* (to ensure that positive and negative impacts are fully considered e.g. reducing adverse effects on plant life from off-roading; negative effects of increased traffic/visitors to sensitive sites etc.).
- 4.6 The HoP was subsequently requested to present proposals to Executive Council and in October 2014 (paper no 201-14) recommended that Hon. Members;
- “Reject proposals for a policy of subsidising roads to non-agricultural destinations, on the grounds that it will not deliver on the implicit requirement for such projects to deliver net economic benefits to the Falkland Islands over a 25 year period”;
  - “Agree that variant proposals (excluding a requirement to demonstrate a net economic impact) be considered as part of the development of the National Infrastructure Plan (NIP) in order that relative priorities for the Islands’ infrastructure development can be ascertained”.
- 4.7 Executive Council did not support the HoP’s recommendations as proposed. The first recommendation was rejected in full and the second recommendation was amended to read as follows: “Agree that ~~variant~~ proposals *may be submitted to FIDC for analysis in accordance with paragraph 5.2.* (included at paragraph 4.5 above) *to (excluding a requirement to demonstrate a net economic impact) be considered as part of the development of the National Infrastructure Plan in order that the relative priorities for the Islands’ infrastructure development can be ascertained”.*
- 4.8 In light of ExCo’s decision, FIDC drafted an application process which included the criteria which applications for a road could be judged against. Both the process and criteria were subsequently approved at a meeting of the Transport Advisory Committee (TAC) on the 20<sup>th</sup> November 2014.
- 4.9 At a meeting of the Falkland Islands Development Board on the 11<sup>th</sup> December 2014 (paper no 082/14) FIDC’s General Manager asked the Board to endorse the TAC approved application process. There were wide ranging discussions on the merits of the scheme, including issues related to the maintenance of the existing road network. Discussions concluded with a suggestion that expressions of interest are invited to help inform the level of budget that might be needed to support the scheme and agreement that the GM FIDC would discuss the policy with Environmental Planning, PWD and the Policy Unit.
- 4.10 With no budget approved, it would have been difficult for FIDC to invite proposals without creating a reputational risk to the Corporation. It was therefore agreed that the Policy Unit would invite local businesses to submit expressions of interest, in order to determine the level of demand and help inform any future budget decisions that FIG might wish to consider.
- 4.11 During February and March 2015, the Policy Unit placed advertisements in the local media, Appendix A, inviting expressions of interest from businesses that might wish to benefit from the scheme, should funding be allocated to it at some point in the future.

4.12 **REDACTED**

4.13 **REDACTED**

4.14 **REDACTED**

4.15 **REDACTED**

4.16 **REDACTED**

4.17 The Falkland Islands Government Approved Estimates of Revenue and Expenditure for the financial year 2015/16, page 185, shows that; roads to non-agricultural destinations have not been included within the current capital estimates. *‘However they may be considered in the future, subject to funding becoming available, or as part of a long-term National Infrastructure Plan’.*

4.18 **REDACTED**

4.19 In November 2015, Executive Council considered and approved proposals to bring into effect depreciation allowance for construction of roads in the Taxes Ordinance for commencement on 1<sup>st</sup> January 2016 ( ExCo paper no 217/15). It is worthy of note that the figures used within the financial implications were based on those used by the HoP within paper no 201/14, to illustrate that if the scheme for roads to non-agricultural destinations required an applicant to demonstrate a net economic benefit to the islands the scheme would be unworkable.

4.20 In December 2015, FIDC Board members were provided with the background to the creation of a policy for roads to non-agricultural destinations and asked to determine the Corporation’s role in any future developments.

## **5.0 The Role for FIDC.**

5.1 There is no doubt that road construction would bring benefits to an individual business whose operations are hampered by a lack of infrastructure, as highlighted within the appended expressions of interest. FIDC sought to address this back in 2007, with the development of a policy that proposed roads to non-agricultural destinations be constructed by the private-sector, with financial assistance from FIDC. The level of FIDC funding would be determined by the business case for each individual road. The business case would identify the level of increased profit created by the road, and if justified would receive a loan. If there was an environmental justification for the road, a grant could be provided.

5.2 Although this policy was not formally adopted, it is the FIDC Board’s opinion that the main elements of this approach are already available to the private sector, without the need for a specific scheme to support it, and will now include the recently approved depreciation allowance for the construction of roads (referenced in paragraph 4.19).

5.3 Part of FIDC’s remit is to help drive sustainable economic growth, which includes working with business owners to determine the business case for investment in infrastructure and making loan funding available to those applicants who are able to demonstrate a return on their investment.

5.4 Whilst it might be possible for an individual business to generate enough of a return to justify the capital investment needed to construct a road, it is unrealistic to expect road construction and maintenance on the scale identified within the appended expressions of

interest to deliver any net economic benefit to the Islands as a whole, even over an extended, 25 year, period.

- 5.5 On this basis it would be unwise for FIDC to try and make further progress on a scheme for which it would be almost impossible for any applicant to demonstrate a positive net economic return to the Falkland Islands over the required timeframe.
- 5.6 If however, Honourable Members wish to implement a subsidy for private sector businesses with potentially positive effects for public amenity and accessibility of sites, then it could be progressed. In doing so it should be clearly understood that that is what the scheme is, and that it will not deliver economic benefits to the Falkland Islands as a whole.
- 5.7 Should that be the case then FIDC Board Members are of the opinion that this scheme, does not fit with the mission, objectives and priorities as described in the approved FIDC Business Plan.

## **6.0 Conclusion**

- 6.1 FIDC administers a number of schemes on FIG's behalf and does so very effectively, with a clear understanding of the schemes' objectives, criteria that help support the achievement of those objectives and an appropriate budget available to support any eligible applications that might come forward.
- 6.2 With these elements for success in mind, it is difficult to see how FIDC would be able to make any further progress with the scheme in its current form. With no budget commitment, seemingly unattainable criteria and a lack of clarity over the scheme's overarching objectives, any attempt by the Corporation to take this forward carries a significant reputational risk.
- 6.3 If Government is willing to accept that there will not be an overall economic benefit to the Islands as a whole but wishes to support applications on the basis of an improved public amenity/quality-of-life, then the scheme will need to be revised to reflect these objectives. Applications could then be presented to Executive Council on a case-by-case basis. If that is the approach that is adopted it should be recognised that funds will need to be committed at some point, should a positive decision be made regarding any application that comes forward.

## **7.0 Financial Implications**

- 7.1 None for the purposes of this paper.

## **8.0 Human Resource Implications**

- 8.1 None.

## **9.0 Legal Implications**

- 9.1 None.

## **Appendices**

- A. Request for expressions of interest for Roads to Non-Agricultural Destinations, Penguin News 20<sup>th</sup> February 2015.

## REQUEST FOR EXPRESSIONS OF INTEREST FOR ROADS TO NON-AGRICULTURAL DESTINATIONS



IN October 2014 Executive Council agreed a policy to support the construction of roads to non-agricultural destinations where a clear economic justification for doing so could be demonstrated. The Falkland Islands Government is now seeking initial expressions of interest (EOI) from businesses that might wish to benefit from the subsidy that such a scheme might offer in the future.

Interested parties should note that no funding for this policy has yet been allocated and the purpose of the expression of interest stage is to ascertain the potential level of demand for such a scheme, and the nature of proposals in order that these can be considered within the National Infrastructure Plan and associated FIG budget deliberations. EOIs will be used to assist FIG in refining its approach to a possible funding programme. While submission of an EOI is not a prerequisite for participating in any future programme, interested parties are strongly encouraged to submit responses.

The expression of interest should be no more than 2 pages in length and should address the following:

- The location and estimated length of the road to be constructed (including start and end points);
- A description of who the main users of the road will be (and in cases where the proposal is to upgrade an existing track, an indication of the current traffic levels, and possible future traffic generated by a new road);
- A statement as to how you will provide match funding towards the construction of the road, and ideally, an indication of what proportion (%) of the costs you will bear;
- A description of how you propose that any such road would be maintained on an ongoing basis;
- A brief summary of the economic benefits to the Islands that would arise as a result of the construction of the road;
- Any other factors that you feel are relevant.

Expressions of interest should be submitted in confidence to the Head of Policy, Mr Jamie Fotheringham at [jfotheringham@sec.gov.fk](mailto:jfotheringham@sec.gov.fk) or in person to the Head of Policy in the Secretariat, no later than **4pm on Friday 27<sup>th</sup> March 2015**.

For further information regarding the proposed scheme please refer to Executive Council Paper 201/14 which can be downloaded at: <http://www.fig.gov.fk/assembly/index.php/public-papers/executive-council-papers/finish/270-10-15-october-2014/2355-201-14p-roads-to-non-agricultural-destinations>

To receive a copy via email please contact [bcurtis@sec.gov.fk](mailto:bcurtis@sec.gov.fk)



### SAAS - PUNTA ARENAS CARGO ANNOUNCEMENT

SAAS would like to advise of the next sailing date for the service to Punta Arenas.

**Vessel will depart Stanley on the 20th of March 2015**

Cargo bookings can be made directly to SAAS at:

Sales@saas.co.fk

By Telephone to 21833

Bookings can also be made to our agent in Punta Arenas as follows:

#### DELTA MARINE SERVICES

Address : José Miguel Carrera N° 88 – Punta Arenas - Chile.  
PO. 6212157  
Phones: (56-61) 2211927 – 2212275 - 2723354  
Fax: (56-61) 2218282  
Mobile phone: 56-9-84487955

Luis Mora Fernández  
Mobile phone: 56-9-79674596  
Email address: lmora@dmservices.cl

Fredy Alfaro Jurjevic  
Mobile phone : 56-9-84487955  
Email address : falfaro@dmservices.cl



### LEGISLATIVE ASSEMBLY ORDER PAPER

**Thursday 26 February 2015  
09.00 hrs**

**(Members of the public wishing to attend should  
be seated no later than 08.50hrs)**

1. Prayers
2. Confirmation of the Record of Legislative Assembly held on 28 January 2015
3. Questions for Oral Response
4. Portfolio Reports:
  - The Honourable Jan Cheek
  - The Honourable Dr Barry Elsbay
5. Motion for Adjournment