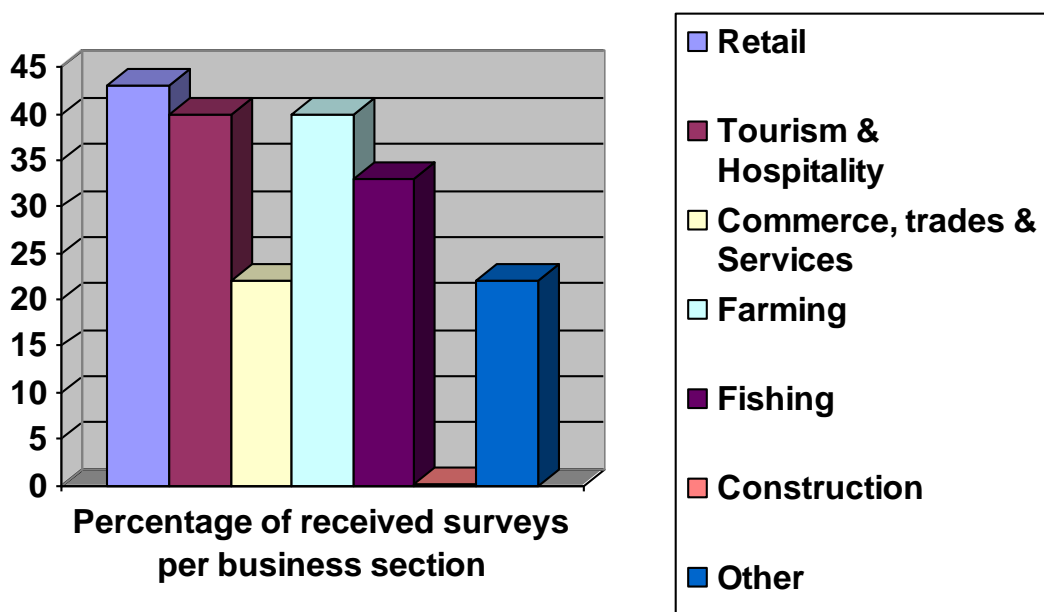




FALKLAND ISLANDS BUSINESS CLIMATE SURVEY 2007



About the survey

The Business Climate Survey was first carried out in December 2003, and then repeated in 2005. The original purpose was to gauge the opinions of the public and private sectors, regarding the current and future climate of the Falkland Islands economy. We have now repeated it for the third time but have tailored some of the questions in order to see how best the Falkland Islands Development Corporation can help local businesses.

The survey is a particularly important exercise for FIDC as it helps us to make sure that what we do is aligned with the needs and priorities of businesses. It is important that we review these issues on a regular basis, in order to make sure we are adapting to new demands and difficulties that effect the development of the Islands economy.

This Report

Is a summary of the most significant findings of the 2007 survey. Throughout the report, results from 2007 are shown in red, 2005 in blue, 2003 in green.

All percentages have been rounded to the nearest whole number.

If you would like more information on the results, or would like to discuss them or the issues they raise with a member of FIDC staff, please feel free to contact us on 27211-email business@fidc.co.fk or write to us at Shackleton House, West Hillside, Stanley.

Who received the survey?

251 (271, 277) questionnaires were sent out to every business in the Falkland Islands [those that were known to have more than one business, were on this occasion only sent one copy, meaning that 294 businesses were actually in receipt of the survey], Councillors, and Heads of Government departments were also asked to complete the survey.

The survey was divided into seven 'sectors' including 'others'.

In an economy where many people have multiple business interests, it can be problematic to classify respondents. Where one person or company has several different business interests (such as a farmer who is earning more money from tourism than wool sales) we have included them only once under the sector that forms the largest part of their business.

Notable some respondents selected 'other' to be the category of their business, when it was expected that they would have chosen a description such as commerce, trade & services. In order that we can correctly identify what percentage of respondents replied from each sector, they have been reclassified under their expected heading where possible.

Who Replied?

35% of those that received the survey responded, compared to 36% and 31% of previous surveys. This is a viable figure and allows our results to be reliable. However the response from the 'construction industry' does not allow for separate recording of this sector (1 respondent) due to this, the results from that sector has been classified with 'others'.

Sector	% Of sector to Return survey			% Of total Recipients		
	2007	2005	2003	2007	2005	2003
Farming	40%	41%	31%	27%	27%	28%
Fishing	33%	58%	50%	7%	7%	7%
Tourism & Hospitality	40%	31%	28%	12%	13%	9%
Retail	43%	45%	26%	12%	13%	12%
Commerce, Trades & Services	22%	24%	31%	24%	18%	27%
Construction	20%	25%	11%	2%	3%	1%
Other	22%	83%	100%	5%	5%	1%
Public Sector	16%	39%	32%	10%	12%	13%
Overall	35%	36%	31%	100%	100%	100%

Obstacles to Development

One of the most informative questions we asked was 'the biggest obstacles to my business growth are:' the results of which suggest that:

- a. There are growing concerns over energy and power costs.¹
- b. Too much competition obstacle falls from 10th to 24th position
- c. The biggest rising obstacle was the lack of an industry co-ordinator (tourism) rising from 33rd to 19th.

Top Ten Summary:²

- Only three new obstacles appear in the top ten.
- Inward freight costs remain at number one.
- Energy costs have risen from seventh position to second, showing growing concern over increased fuel prices.
- The biggest climber in the top 10 was 'Infrastructure', making it into the top 10 from its previous 20th position.
- Notable in their absence were 'International politics' and 'Internal transport,' which have fallen to 14 and 16 respectively.

Obstacle	Ranking according to Year		
	2007	2005	2003
Inward Freight Costs	1	1	= 2
Energy Costs	2	7	= 17
Cost of Labour	3	2	1
Distance to Market	4	=3	= 2
Power Costs	5	6	= 17
Number of Customers	=6	=3	= 5
Red Tape	=6	15	7
Outward Freight Costs	8	=3	= 5
Air Links	9	13	10
Infrastructure	10	=20	= 19

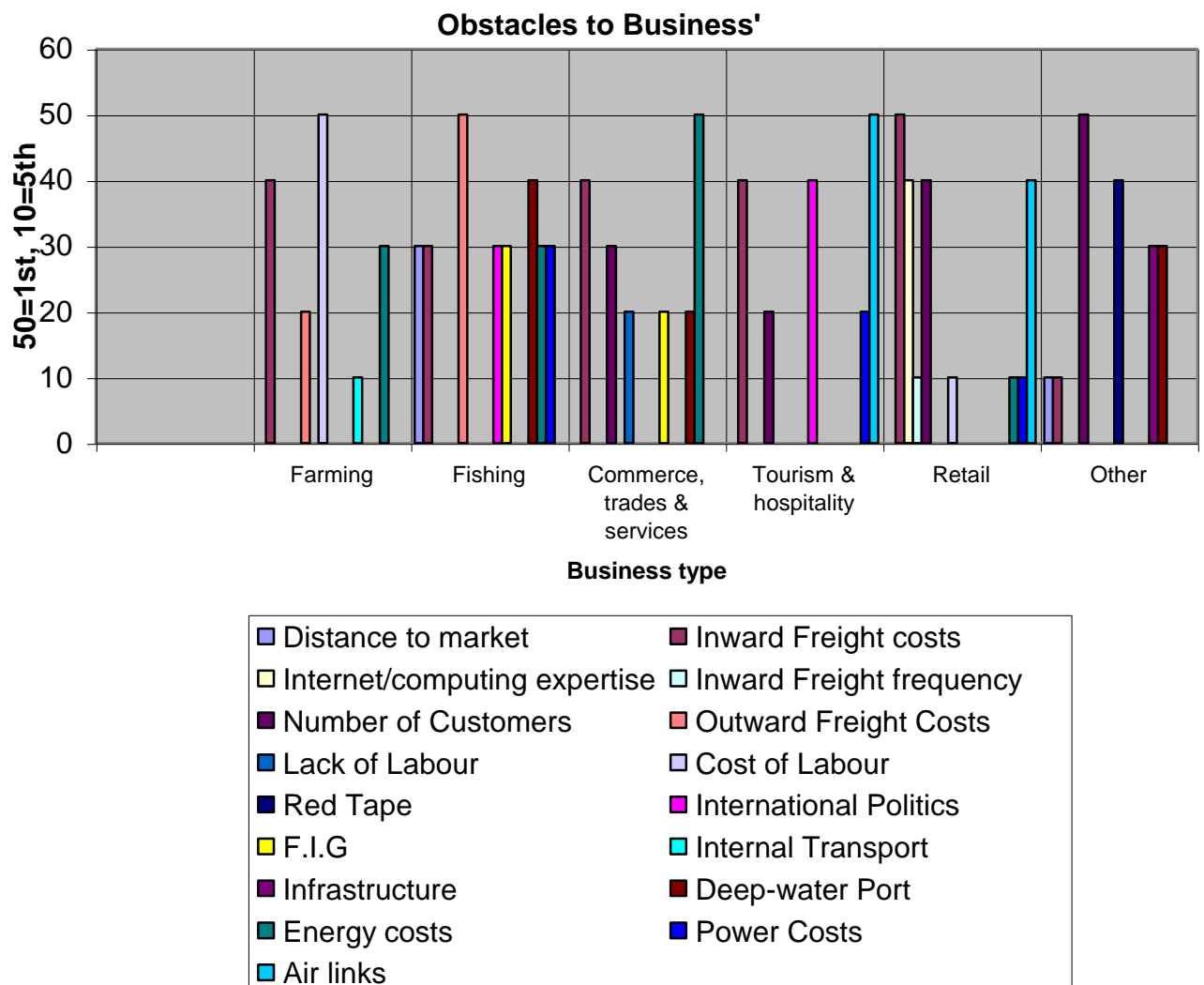
¹ Energy is measured in joules (fuel), while power is measured in watts(electricity).

² A full table of results for this question are appended at the end of this report.

Obstacles to Development... continued

While the top ten depicts a combined view of obstacles, it does not reflect the individual concerns of businesses. The following table represents how each area ranked their impediments to economic growth:³

Farming's main concern is cost of labour, compared to inward freight costs for retail, and number of customers for others⁴. While Fishing and Commerce are hindered by outward freight and energy costs respectively. Tourism's main obstacle is internal transport. It is interesting to note that many of these top fives do not appear in the top ten, suggesting problems are indigenous to business type.



³ Only the top 5 from each section is shown, where an = scoring has been made a ranking has been made to the nearest top 5.

⁴ Others relates to any sector that does not fall into one of the other categories. Normally due to having multiple business interests.

Prospects for the Future

Two related questions were asked: one regarding the perceived prospects for each business over the next 24 months, and a second regarding the description of the 12 month plan for the business.⁵

Key points:

- This survey shows an even greater degree of optimism than in 2005 when most businesses responded positively. This is shown by a 7% increase in businesses expecting a large improvement.
- In variance from 2005 it is now the retail industry, not the fishing industry that is expecting greater prospects. However the fishing sector still has a high level of optimism.
- By contrast farming is the only one of the sectors that does not foresee a large improvement, but does have a 2% increase on 2005 in farmers perceiving a slight improvement.

Sector	Large Improvement		Slight Improvement		Stay the Same		Small Decline		Large Decline	
	2007	2005	2007	2005	2007	2005	2007	2005	2007	2005
Commerce, Trades & Services	27%	6%	40%	59%	33%	24%	0%	12%	0%	0%
Farming	4%	8%	33%	31%	48%	42%	11%	15%	4%	4%
Fishing	43%	29%	43%	71%	14%	0%	0%	0%	0%	0%
Other	21%	20%	50%	60%	29%	20%	0%	0%	0%	0%
Retail	46%	23%	23%	38%	23%	39%	0%	0%	7%	0%
Tourism & Hospitality	10%	8%	40%	33%	40%	58%	10%	0%	0%	0%
Overall Percentage	19%	12%	38%	45%	36%	35%	5%	7%	2%	1%

⁵ Question 5 asked: I believe the prospects for my business in the next 24 months are?

Prospects for the Future... continued

In reply to our second question,⁶ we would expect people's business plans to correspond with their answers for the prospects of their business, as previously asked. Unlike the survey of 2005, which showed a 9% increase in optimism over actual plans to grow their companies, this survey has only a 4% variance.

- In comparison to 2005, there is still a positive outlook in business prospects in general, with no plans of closure in any of the responding sectors.
- Notable the strength of belief in future growth is belied by the obstacles to future economic development results. Despite the retail trade foreseeing the greatest amount of growth over the next two years, they also found the majority of obstacles to development, rating all but one of the choices given. This exceeds concerns by farmers who were the biggest overall respondent, and the next greatest sector to express multiple concerns.

Sector	Grow		Keep the same		Reduce to Manageable Level		Start new Business		Close		Sell	
	2007	2005	2007	2005	2007	2005	2007	2005	2007	2005	2007	2005
Commerce, Trades & Services	67%	56%	33%	44%	0%	0%	0%	0%	0%	0%	0%	0%
Farming	38%	65%	55%	22%	0%	13%	4%	0%	0%	0%	3%	0%
Fishing	86%	83%	14%	17%	0%	0%	0%	0%	0%	0%	0%	0%
Other	75%	80%	25%	20%	0%	0%	0%	0%	0%	0%	0%	0%
Retail	55%	83%	9%	17%	9%	0%	9%	0%	0%	0%	18%	0%
Tourism & Hospitality	34%	54%	50%	46%	0%	0%	8%	0%	0%	0%	8%	0%
Overall Percentage	53%	66%	38%	29%	1%	5%	4%	0%	0%	0%	4%	0%

⁶ Question 6 asked: In the next 12 months my personal plan for my business is to:

Other Businesses

The Falkland Island's appears to have created an environment of entrepreneurs, with over 43% of respondents having or being involved with a second or more business.

Additional Businesses Per Sector

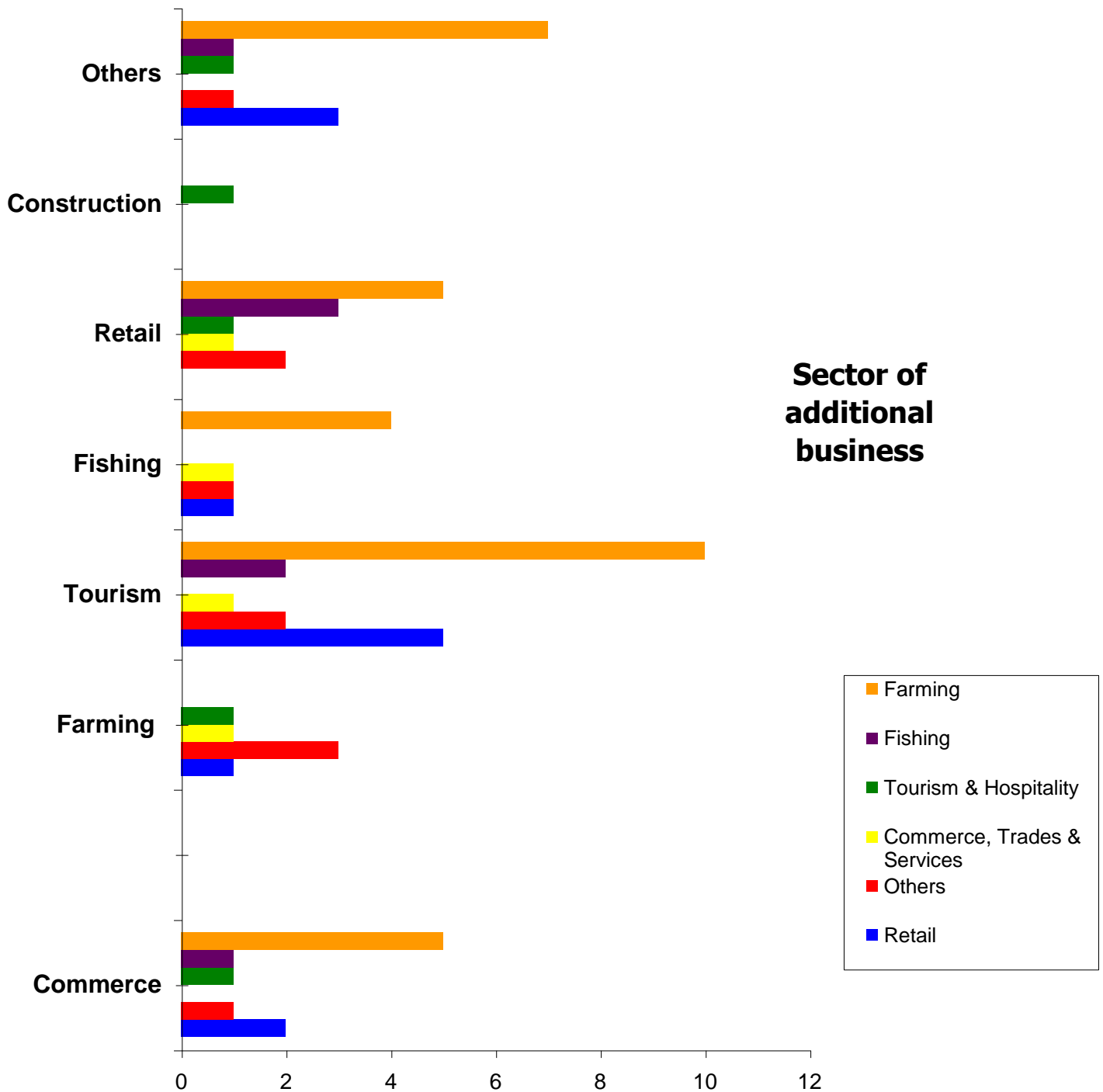


FIG moving in the right direction

In response to our question on the role of the Falkland Islands Government within the economy,⁷ there was a decrease again in the amount of business people who felt it was too great, albeit a drop of only 4%. Likewise there was an increase in the amount of respondents who felt it was about right.

In contrast to the private sector, Government respondents agreed that FIG 'was about right' 80%, and 'far too big' 20%.

Public View	Businesses		
	2007	2005	2003
Far too big	22%	21%	33%
Slightly too big	25%	30%	26%
About right	36%	33%	29%
Slightly too small	5%	11%	8%
Far too small	2%	5%	3%
Did not answer	10%	N/A	N/A

⁷ Question 8: The role of the Falkland Islands Government in the Economy is:

FIDC performance rating:

Since we first surveyed businesses back in 2003 we have used the opportunity to gain feedback on our performance, and this survey has not been an exception.

Since FIDC was established in 1983 it has not only provided business advice and support, but also contributed to major projects such as the wind farm, aquaculture, air access, shipping and the abattoir. The very nature of FIDC is to explore additional sources of revenue for the Islands as well as addressing problem areas to existing businesses, which it will continue to do.

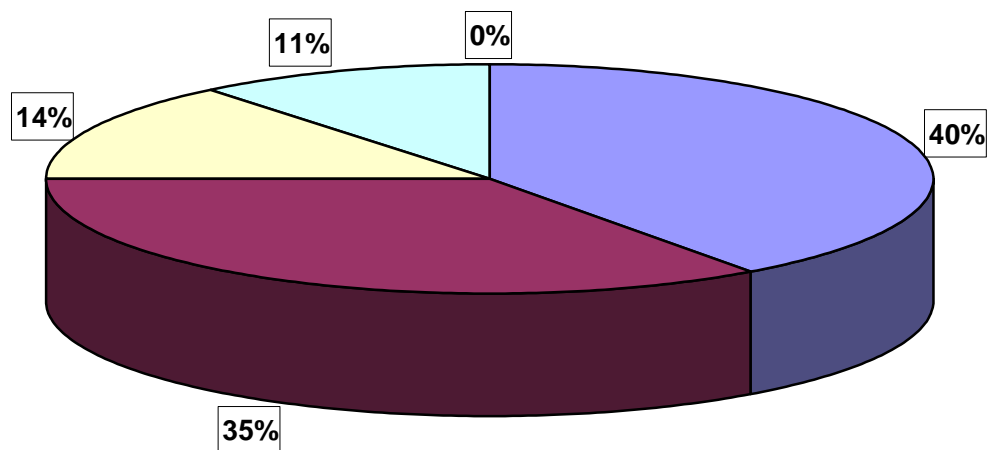
With the exception of confidentiality, there has been a small decrease in all the ratings. While this drop has been less than 0.5, FIDC still strives to improve in areas such as expertise, responsiveness, speed etc.

	Average score: 1= poor, 5= good			Change 2005-2007
	2007	2005	2003	
Confidentiality	4.0	4.0	3.2	0.0
Staff quality	3.4	3.8	3.2	-0.4
Speed	3.4	3.7	2.9	-0.3
Responsiveness	3.4	3.6	2.9	-0.2
Expertise	3.2	3.5	3.0	-0.3
Overall	3.3	3.8	3.1	-0.5

FIDC Grants

During this survey we took the opportunity to ask respondents if they had received grants from FIDC, and if so how had they found the application process. The majority of the 72 allocated grants were found to be easily assessable, with just a few recipients needing a small degree of assistance with completing paperwork.

Grant Allocation

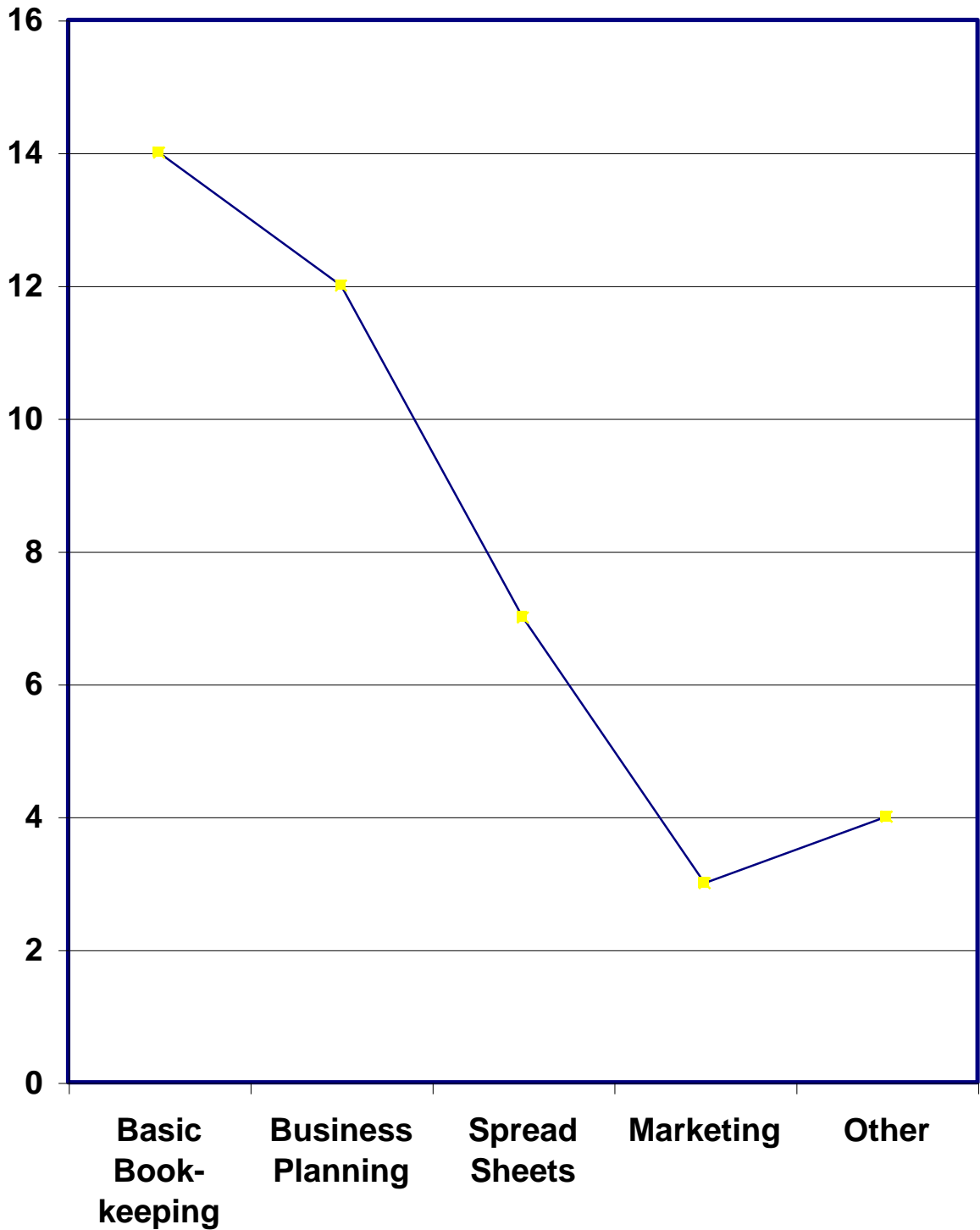


■ Farming ■ Tourism □ Commerce, Trades & Services □ Retail ■ Other Businesses

Training Requirements

We asked if taking a short course in one of five areas or more could assist business development. The result shows that a number of businesses felt that they could benefit from some additional training.

Training Requirements



Other assistance businesses would like

This turned out to be a very interesting question to which there was a broad range of contributions.⁸ Many of the suggestions however, would if carried out put FIDC in a position of competing with private enterprises such as banks, which is against company policy.

Some of the following suggestions are areas with in which FIDC already operates.

- Providing assistance to establish businesses in Camp/Town
- Funding mortgages for business and farm purchases
- Improving tourism facilities

Should FIDC currently not provide the assistance you are looking for, you should contact us directly, either by phone 27211 or email business@fidc.co.fk and FIDC will consider/review your request?

⁸ Question 11: What other assistance would you like Fidc to consider providing?

Obstacles to development: the full results

The following shows the percentage of respondents who ticked the box saying this was a significant obstacle to development. (Where several obstacles have the same score, they are ranked equally).

Obstacle	% 2007	Ranking 2007	Ranking 2005	2007 Divergence
Inward freight costs	48	1	1	-
Energy Costs	41	2	7	+5
Cost of Labour	37	3	2	-1
Distance to Market	36	4	=3	-1
Power Costs	35	5	6	+1
Number of Customers	34	=6	=3	-3
Red Tape	34	=6	=15	+9
Outward Freight Costs	33	8	3	-5
Air Links	31	9	13	+4
Infrastructure	30	10	20	+10
Inward Freight Frequency	29	=11	12	+1
Lack of Labour	29	=11	8	-3
Deep Water Port	24	13	18	+5
International Politics	24	=14	9	-5
F.I.G	24	=14	=15	+1
Internal Transport	21	16	10	-6
Obtaining Finance	20	17	N/A	N/A
External Communications	16	18	15	-3
Industry Co-ordinator (tourism)	14	19	33	+14
Taxation	14	19	19	-
Internal Communications	14	19	23	+4
Road Network	13	22	26	+4
Internet/Computing Expertise	13	22	27	+5
Marketing	10	24	20	-4
Too Much Competition	10	24	10	-14
Business Sale Opportunities	10	24	23	-1
Outward Freight Frequency	9	27	14	-13
Legal Services	8	28	33	+5
Expertise	6	29	27	-2
Business Exit Options	5	30	33	+3
Professional Advisors	5	30	33	+3
Training	5	30	27	-3
Book-Keeping	5	30	27	-3
Coldstore Availability	3	34	31	-3
Office Availability	3	34	31	-3
Fishing JV Partners	3	34	38	+4
Too Little Competition	1	37	38	+1

Compiled by L Buckland 2008