



SCRABSTER HARBOUR TRUST ANNUAL REPORT

2014-15

Contents

About Us	3
Chairman's Report	5
Key Operational Indicators	8
Business and Operations Review	9
Strategic Planning	12
Property and Estate Strategy	13
Compliance & Competence	16

About Us

Scrabster Harbour Trust is an independent statutory body, governed by its own local legislation, run by an independent board for the benefit of stakeholders. Modernising Trust Ports – A Guide to Good Governance describes a trust port as 'a valuable asset presently safeguarded by the existing board, whose duty it is to hand it on in the same or better condition to succeeding generations. This remains the ultimate responsibility of the board, and future generations remain the ultimate stakeholder'. Through the running and maintenance of this asset, though, others stand to benefit.

The Trust is established and acts in terms of various Scrabster Harbour Acts and Orders enacted in the period 1841 to 2011. The current constitution and management arrangements of the Trust are set out in the Scrabster Harbour Revision (Constitution) Order 2005.

The Board in 2014-15

Non Executive Members

Tom Pottinger, Chairman

Colin Calder, Vice Chairman re-appointed to the Board on 30th October 2014

Frank Bremner

John Cormack

Simon Middlemas re-appointed to the Board on 30th October 2014

Douglas Robertson

William Thomson co-opted 20 January 2015

Executive Members

Sandy Mackie, Trust Manager

Gordon Mackenzie, Harbour Master (resigned 26th June 2015)



Chairman's Report

I am very pleased to be able to report an excellent result for the financial year of 2014 to 2015 with all sectors performing well. In my report of last year I emphasised the need for profitability on the part of the Trust and it is very reassuring to see this being delivered by the management to build a strong base for future development.

It is particularly welcome to see the first five months of this calendar year's oil related activity surpassing the whole of the twelve month period of 2014, bearing in mind that we have seen a major downturn in the oil industry for all of that five month period. It is thanks to the vision and foresight of William Calder and his fellow Board members that we have the excellent facility in the Jubilee Quay and that this is attracting oil vessels from the West of Shetland oilfields and the Northern North Sea.

The new pier on its own is not enough to encourage and maintain this increased activity; the service offering at Scrabster from our stakeholders is all important.

The fishing sector has done well in 2014/15 as Sandy reports below. The chilled market is a welcome facility and competitive pricing from the local merchants will ensure continued trade. The Board are well aware of certain issues with ice delivery and are working with Simpsons to find a solution for provision of good quality ice in what is a falling market with many boats now having their own ice making equipment on board. The Board are also aware of the impending white fish discards ban and are determined to ensure that Scrabster is not prejudiced relative to other ports when this is implemented.

Other sectors have also done well last year with the Strathy North turbine delivery being a major boost for the Harbour. Wave and Tidal renewables are still in the early development stages but several contracts have come to the Harbour and its stakeholders not least of which were the Meygen ballast blocks for fabrication by JGC Ltd. The cruise ship sector was quieter but looks more promising in the near future. The on shore offering for cruise ships is outwith the Harbour's control and is certainly worth some development and further consideration.

The ferry passenger numbers have shown an increase that has continued into this year and the Trust are mindful of the contract renewal in 2018 as this is a very important facility to maintain from Scrabster.

This year has seen a major change in senior staff at the harbour with Gordon Mackenzie passing over the role of Harbour Master to Jason Hamilton and Ross Farquhar being promoted to Deputy Harbourmaster. We wish Gordon well in his new role at Inverness Harbour and the Board are especially gratified to see the promotion of our own staff from within to fill these senior roles.

The last financial year also saw the official opening of the Jubilee Quay for which we were very pleased to invite a "Wicker" in the form of Anne Dunnett our Lord Lieutenant to conduct the opening ceremony.

We had the unwelcome excitement of the Shalimar sinking in the fish basin and it must be recorded how well our harbour staff, under the able guidance of former Harbour Master, Gordon Mackenzie, kept control of the situation while the recovery of the vessel was carried out.

Looking to the future the Board has undertaken a marketing campaign, renewed the website and is currently looking at research into increasing the use of the Jubilee Quay and the possible development of the Enterprise Park where we could provide storage or laydown area initially with a view to further development.

On behalf of the Board I would like to thank the other stakeholder bodies with whom we are working to increase activity at or around the port. The NDA should be particularly singled out for their assistance in the acquisition of our new tug the "Highlanders" giving us an extra reassurance in relation to the safety of shipping in and around the harbour.

The Board has seen the reappointment of Colin Calder and Simon Middlemas in October 2014 and the recommendation by the appointing body of William Thomson and myself to be appointed as Board members this year. William has served as a co-opted member for the past year. Thanks should be recorded to John Cormack who has served as a Board member for nine years and is now stepping down.

Finally my thanks goes to the harbour staff, Sandy Mackie, and the Board of Management with whom I have worked as Chairman for the past two years for their support and contributions to the increasing of the importance of Scrabster Harbour to the local and indeed National economy.

Tom Pottinger,

Chairman



Key Operational Indicators

Number of Arrivals	2014-15	2013-14	2012-13	2011-12
Ferry	794	768	914	962
Fishing	1,068	977	823	959
Offshore Oil	76	89	72	96
Renewables	17	3	11	3
General Cargo	85	73	96	80
Fish Cargo	75	96	96	100
Tankers	24	13	19	24
Cruise	8	9	10	10
Visiting Yachts	61	53	62	46
Total Arrivals	2,208	2,081	2,103	2,280

Tonnage of Vessels	2014-15	2013-14	2012-13	2011-12
Ferry	6,971,220	6,662,034	8,024,920	8,589,779
Fishing	241,272	214,733	181,371	223,647
Offshore Oil	237,512	372,671	298,897	385,774
Renewables	27,906	2,552	44,970	22,049
General Cargo	219,653	136,532	95,096	98,657
Fish Cargo	248,896	236,352	236,106	246,200
Tankers	37,681	39,951	27,513	30,626
Cruise	81,431	133,767	80,073	139,873
Total Tonnage	8,065,571	7,798,592	8,988,946	9,736,605

Traffic Statistics	2014-15	2013-14	2012-13	2011-12
Ferry- passenger numbers	122,421	111,593	136,817	138,917
White Fish – Landings	£21.442 million	£18.428 million	£15.891million	£18.517million
Shellfish - Landings	£2.542 million	£3.02 million	£1.89 million	£2.522 million
Offshore Oil – cargo tonnes	3,188	6,493	4,185	5,148
Renewables -cargo tonnes	8,727	84	6,886	1,409
General Cargo - tonnes	50,332	36,407	47,260	46,111
Fish Cargo - tonnes	14,714	12,423	20,380	19,557
Tankers – tonnes	34,261	25,967	24,201	28,221
Cruise – Passengers	2,227	3,182	2,234	3,938

FINANCIAL HIGHLIGHTS

£2.618 Million TURNOVER	£835,724 EBITDA	£2.346 Million Net Current Assets	£1.010 million Capital Expenditure
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Financial year 2014-15 was a particularly successful trading year for the Trust. Turnover for the year amounted to £2.618 million, an increase of £374,000 on the 2013-14 figures. Profit before tax amounted to £478,983 well ahead of budget projection and over quarter of a million pounds higher than the previous year's figure of £220,619. The trading position reflects growth in port revenues across nearly all of the Trust's trading sectors.

The Trust balance sheet remains healthy with a strong working capital position. At 31st March 2015 the Trust had net current assets amounting to £2.346 million compared with £1.813 million in the previous year. This is a solid and healthy position and a good foundation to progress the maintenance and further development of the harbour.

Total gross registered tonnage (GRT) through the port for the financial year to 31st March 2015 was 8.066 million tonnes compared with 7.798 million tonnes in the previous year. Ferry and general cargo were sectors showing the largest increase in vessel tonnage. Total vessel arrivals amounts to 2,208 an increase on the previous year's figure of 2,081. The Fishing sector had the greatest increase in arrivals.

SECTOR REVIEW

Ferry

Ferry revenues remain the Trust's largest revenue stream. There were no disruption to the service in 2014-15. Passenger numbers on the lifeline ferry link increased by 10% compared to 2013-14. Overall Ferry revenues were 8% higher than the previous year.

Fishing

It is pleasing to again report increased fishing activity for the year. Overall white fish revenues increased by 15%. Landings through the fish market remained at prior year levels with most of the increase being from consigned fish. The value of shellfish landed decreased by 15%.

Oil Related and Renewables

Oil and Gas vessel arrivals and tonnage fell by 15% and 37% respectively. Oil & Gas cargo tonnage fell by decreased by 55% to 3,188 tonnes. However activity in the current financial year has been very encouraging with record arrivals and vessel tonnage being achieved in July 2015

There were seventeen renewable energy related arrivals in 2014-15 compared with three arrivals the previous year. Renewable vessel tonnage amounted 27,906 tonnes bringing 8,727 tonnes of

cargo to the port. The renewable activity included the shipment of components for Strathy North Wind Farm. Shipments began in February 2015 and ended in June 2015. In March 2015, 4,552 tonnes of steel were delivered to Scrabster in connection with the MeyGen project to install tidal devices in the Inner Sound. The steel will be assembled into ballast blocks by JGC Engineering. The blocks are expected to return to Scrabster prior to deployment in the Pentland Firth.

Cruise Ships

Cruise arrivals at eight vessels was one less than the previous year. However the vessels tonnage and passenger numbers were well down on the 2013-14 levels. The results for the 2015 cruise season are now available and show a restoration of passenger numbers and vessel tonnage to the 2013-14 levels.

Scrabster continues to be an active member of Cruise Scotland and Cruise Europe. The Trust continues to work with interested parties to improve the onshore excursions available to the sector.

General and Other Cargo

General Cargo activity increased with 50,332 tonnes of cargo passing through the port compared with 36,407 tonnes in the previous year.

Twenty three shipments comprising 42,519 tonnes of timber were exported through Scrabster. The other commodities handled included rock salt, fertiliser, oil pipe, salmon smolts and nuclear related cargoes.

Fish cargo tonnages from Faroes amounted to 14,714 tonnes compared with 12,423 tonnes in 2013-14. A new weekly service from Faroes, operated by Eimskip, began in September 2014. The previous operator P/F Fresh Link ceased operation during September 2014 and was declared bankrupt in the Faroese Courts on 18th November 2014.

Oil imports, at 34,261 tonnes, were 32% higher than in the previous year.

Pleasure and Small Craft

The number of visiting yachts increased from 53 to 61. The pontoon facilities installed in the inner basin continue to be oversubscribed.

Property

Property revenues were 13% higher than 2013-14 reflecting higher demand for temporary storage and laydown areas.

Marketing

Working with Denvir Marketing, a new marketing strategy has been implemented. This has included a new logo and branding, a new website, presence on social media and campaign of media articles highlighting activity at Scrabster.



Strategic Planning (Approved by the Board in 2014)

Scrabster Harbour Trust business strategy is focused on:

- Growth in energy related port activity (oil and gas, marine renewables).
 - For oil and gas, Scrabster seeks to become an integrated supply base supporting activity West of Shetland and in the Northern North Sea.
 - For marine renewables, the port seeks to be an operations and maintenance base for wave and tidal activity in the Pentland Firth and Orkney waters.
- The retention and growth of ferry, fishing, general cargo and cruise activity.
 - For the ferry service the Trust will endeavour to maintain the life line classification of the service and lobby to ensure that the interests of Scrabster are promoted in the tendering process.
 - For fishing the Trust will seek to maintain and improve on the increase in landings seen over the last year due to the fish market and harbour improvements coupled with competitive pricing in the market and good transport links.
 - For general cargo activity the Trust will work with stakeholder partners to provide an efficient service to port users to promote the use of the harbour.
 - For cruise activity the Trust will work with partners to enhance the visitor experience at the port and its hinterland. The Trust will continue to promote Scrabster at international cruise events.

The strategy seeks to deliver:

- Higher quay and laydown utilisation;
- Increased quay and laydown area space;
- Increased vessel numbers and cargo throughput

All of this will result in increased port revenues that can be re-invested in the harbour for the greater good of harbour users and the wider Caithness economy.

Property and Estate Strategy

The Trust's property and estate strategy aligns with and complements overall port strategy. It also aligns with the aims of the Caithness and North Sutherland Regeneration themes of diversification away from an economy dependent upon Dounreay.

The Harbour Estate consists of the port area extending to 10.42 hectares and back up land at Scrabster Farm extending to 14 hectares. The port area is a mixture of outright ownership and leasehold tenure from the Crown Estate Commissioners. The land at Scrabster Farm is owned outright by the Trust and is classified as an enterprise area by Scottish Government.

The Trust derives income from a diverse property portfolio

- Ground rents
- Residential property
- Storage and storage areas
- Office and business accommodation
- Industrial units

Current vacant space at the port, extends to only 4,300 square metres, is very limited and keenly sought.

Strategy and Policy going forward

1. Property strategy aligns with overall business strategy. Any property and estates proposal needs to be assessed, not in isolation, but with regard to overall port strategy.
2. Property strategy looks to the medium to long term (5-10 year timeframe) rather than short term revenue maximisation.
3. The limited availability of quayside laydown areas needs protection and careful management.
4. Additional space is required at and nearby to the port.
5. Experience elsewhere emphasises keeping laydown areas as clear and flexible as possible.
6. Experience at other ports has demonstrated that longer term port revenues are maximised through ports owning and developing their own land and buildings. Scrabster will seek to follow the same model subject to affordability and funding restraints
7. The situation, in the target markets of oil and gas and marine renewables, is very fluid with major decisions and developments expected over the next year to eighteen months. The Trust needs to be in a position to respond to these developments.

For Oil & Gas activity – Scrabster offers shorter steaming time, congestion free and fast vessel turnaround. This requires available and flexible quayside and back up space.

Marine Renewable activity has similar requirements for its initial development. Scrabster seeks to be an O&M (Operations and Maintenance) base for the sector but remains open to any opportunity to support fabrication activities.

Delivering the Strategy

The property and estate strategy will be delivered through the following work streams:

- **Port Infrastructure** – the maintenance and improvement of port infrastructure will be progressed, with the Ola Quay being a priority.
- **Enterprise Area** - The Trust will progress the initial development of the Enterprise Area at Scrabster Farm, including improved access. Initial development will cover basic infrastructure.
- **Property acquisition** - The Trust will seek to secure additional properties at the Harbour.
- **Land reclamation** – The feasibility of additional land reclamation will be pursued.
- **Reconfiguration** - The existing layout will be examined to ensure space is best configured.

All property related requests and applications will be assessed with reference to the above policy.

Progress in 2014-15

- **Port Infrastructure**

Ola Pier – High level parametric costs have been prepared for a range of development options with associated studies into the effects on the wave climate in the harbour. Dive surveys and structural analysis work has been undertaken on the Ola Pier to assess current condition and suitability to repair /redevelopment.

Ice Plant – The Trust continue active dialogue with the current operators regarding the reliability of the existing plant and examining options for new modern plant and possible funding sources.

- **Enterprise Area** - The Trust continues in dialogue with Highland and Islands Enterprise regarding development options for the enterprise area site.
- **Property acquisition** - The former Mission building was acquired by the Trust in October 2014. Development / use options are under review.

Whilst the Trust is in good financial health and has cash balances available as match funding, progressing the development programme will require substantial public grant assistance. The upcoming UK Government Comprehensive Spending Review is likely to further reduce the budgets available to grant funding bodies.



Compliance & Competence

SAFETY, SECURITY AND ENVIRONMENTAL

Scrabster continues to regard health and safety as a vital element in ensuring the safe and efficient operation of the port. We aim to ensure our operations do not harm any people, property or the environment. Compliance with the Port Marine Safety Code remains a top priority of the Board and health and safety is considered at each of the Board's monthly meetings. The Trust is a member of the Port Skills and Safety Group.

Scrabster continues to meet the security standards required under the International Ship and Port Facility Security (ISPS) code and the Port Security Committee meets 6-monthly to discuss current issues. The meetings are normally attended by senior inspectors from Maritime Security & Resilience Division who oversee port security across the UK.

The Trust's Oil Spill Contingency Plan have been updated and amended. The revised plan was approved by the Maritime and Coastguard Agency in June 2015.

The Trust's emergency arrangements were fully tested when MFV Shalimar sank in the Fish Dock in April 2014. Round the clock counter pollution measures were immediately put in place and maintained until the recovery operation was successfully concluded. In excess over 7,000 litres of oil was contained and recovered from the Harbour.



In compliance with the Port Marine Safety Code, Scrabster Harbour Trust continues to meet the targets set by the International Association of Lighthouse Authorities for the provision of Local Aids to Navigation.

In the three years from 1st January 2012 to 31st December 2014, SHT achieved 100% performance of its Category 1 lights against the required target of 99.8% and 99.82% performance for its category 2 lights against the required target of 99.0%.

The Northern Lighthouse Board, completed the 3-yearly audit of our navigational aids and relevant compliance with the Port Marine Safety Code in August 2015. There were no non-conformities arising from the inspection.



In November 2014 the Trust took delivery of a new harbour workboat, Highlanders. The acquisition was assisted by funding support from the Nuclear Decommissioning Authority. The vessel improves marine traffic control and safety allowing the Trust to better discharge its duties to those who use the harbour and protect the well-being of the port environment and the local community.

Improved welfare facilities (toilets, shower and laundry facilities) were installed in the Fishmarket building with support from the European Fisheries Fund.

STAFF AND TRAINING

The Board continues to recognise the need for continuous professional and personal development of all members of staff. Our annual training programme is focused on ensuring compliance with statutory requirements and the codes of practice applicable to the Trust's activities.

In July 2014 Harbour Master, Gordon Mackenzie was presented with a quaich in recognition of 25 years' service with the Trust. Gordon left the Trust in June 2015 to take up a new post at Inverness Harbour. Former Deputy Harbour Master, Jason Hamilton, has been appointed as Harbour Master with Ross Farquhar taking on the Deputy role.



Over the past five years the Trust has given work experience to ten young people through the Job Centre Plus "Back to Work" Scheme. Seven of the individuals have gained permanent employment following experience with Scrabster Harbour. Harbour staff attend the annual "Jobs and how to get them" event. Harbour personnel also participate in the Caithness Chamber of Commerce led "Investing in Young People Group" which looks at Schools /Employer links.

