



SCRABSTER HARBOUR TRUST ANNUAL REPORT

2016-17

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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 2016-17

Non Executive Members

Tom Pottinger, Chairman – term of appointment to September 2018

Colin Calder, Vice Chairman – term of appointment to September 2017

Alexander Anderson – Co-opted October 2016

Frank Bremner – term of appointment to September 2019

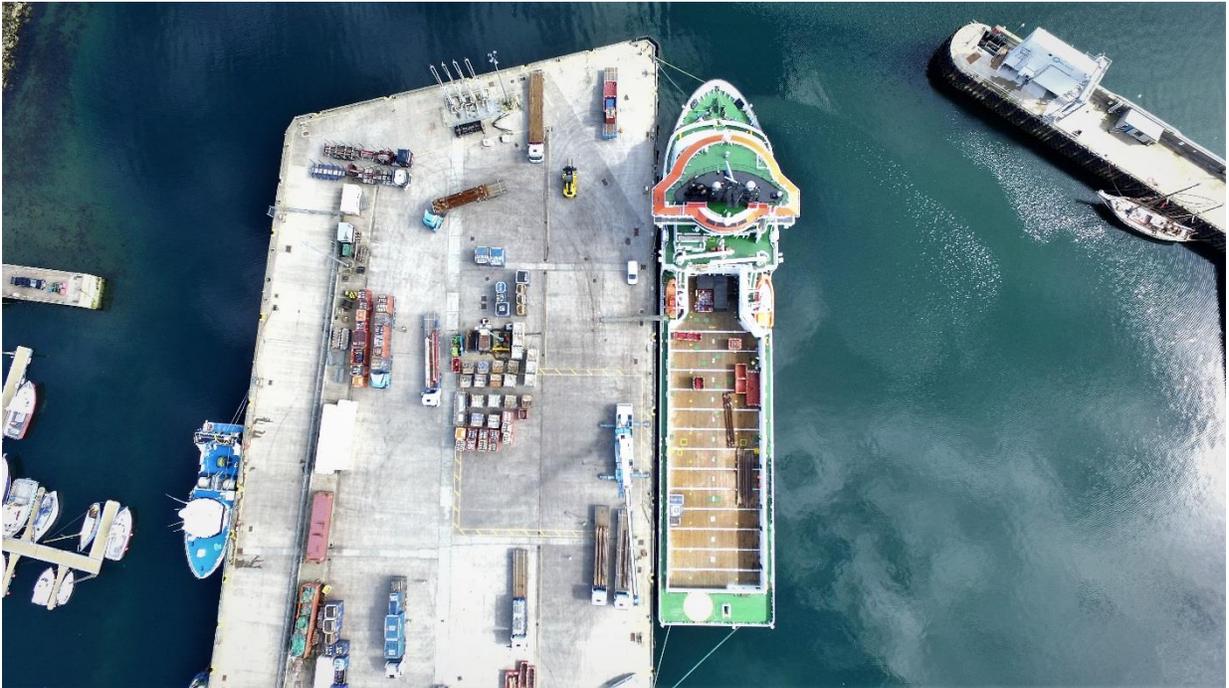
Simon Middlemas – term of appointment to September 2017

Douglas Robertson – term of appointment to September 2019

William Thomson – term of appointment to September 2018

Executive Member

Sandy Mackie, Trust Manager



Chairman's Report

It is very satisfying to be able to report another successful year for Scrabster Harbour.

As Sandy Mackie reports in more detail in the Business and Operations Review, the Trust has achieved a record turnover for the second year in succession, with a further increase in profitability. Importantly one should note that all profits are reinvested in the business as we are a Trust Port.

The core sectors of fishing and the ferry have continued to perform well with little adverse impact on the fishing industry of the discards ban and an increase in passenger traffic for the ferry. It is very pleasing to see increased activity in the oil and gas business for Scrabster, in spite of an ongoing industry downturn. What is of particular note is the increase in tonnage of cargo being shown in the oil and gas figures, indicating that Scrabster is being viewed more and more as a realistic option for cargo shipment and crew transfers. Thanks must go to the operators and agents for realising the potential to shorten the distance and reduce the cost of transshipment to the West of Shetland oil developments by using the closest mainland port.

The renewables sector continues to make the news with the current deployment of the MeyGen tidal turbines. We watch with interest and hope to see continued growth of the industry for the benefit of the local economy. The announcement of the Beatrice off-shore wind project has already brought some unexpected but welcome business to Scrabster recently with the deployment of an experimental plough from the port to aid in the burying of undersea cables.

Sandy Mackie describes in more detail in his report the continued growth of the cruise, property and general cargo sectors of our business. The diversification of our business is an important factor in the continuing success of the port.

The Board has recently reviewed our Strategy document and has made very little change other than some updating. I would commend the reader to read the following section entitled "Delivering the Strategy" where the Boards' priorities for the future are described. To succeed in delivering the Strategy the business must continue to trade profitably but also to encourage further public investment in any major infrastructure investments that are required. This has a significant multiplier effect for local business.

I would like to thank our Trust Manager, Sandy Mackie, for delivering a very good set of figures and for leading the staff in the provision of a safe working environment. The safety of the staff and all our stakeholders is a priority for the Board of Management. We are fortunate to have a motivated and responsive workforce who meets the needs of our many customers and stakeholders in an efficient and welcoming manner.

This was shown at its best recently when we celebrated the 175th anniversary of Scrabster Harbour. Jason Hamilton and his team came up with some great ideas for the fun day at the fish market and the whole weekend was a great success with £4,500 raised for local charities.

Finally I would like to record my thanks to the Board members for their support and contributions towards the effective governance of what is a very important asset to the community.

Tom Pottinger,

Chairman



Key Operational Indicators

Number of Arrivals	2016-17	2015-16	2014-15	2013-14	2012-13
Ferry	798	806	794	768	914
Fishing	1,049	1,125	1,068	977	823
Offshore Oil	136	97	76	89	72
Renewables	11	20	17	3	11
General Cargo	55	56	85	73	96
Fish Cargo	53	55	75	96	96
Tankers	37	45	24	13	19
Cruise	10	6	8	9	10
Visiting Yachts	62	48	61	53	62
Total Arrivals	2,211	2,258	2,208	2,081	2,103

Tonnage of Vessels	2016-17	2015-16	2014-15	2013-14	2012-13
Ferry	7,006,440	7,007,762	6,971,220	6,662,034	8,024,920
Fishing	245,613	243,873	241,272	214,733	181,371
Offshore Oil	679,676	525,090	318,943	372,671	298,897
Renewables	49,611	19,272	27,906	2,552	44,970
General Cargo	74,766	61,473	138,222	136,532	95,096
Fish Cargo	235,906	244,890	248,896	236,352	236,106
Tankers	48,100	44,892	37,681	39,951	27,513
Cruise	228,395	131,498	81,431	133,767	80,073
Total Tonnage	8,568,507	8,278,750	8,065,571	7,798,592	8,988,946

Traffic Statistics	2016-17	2015-16	2014-15	2013-14	2012-13
Ferry- passenger numbers	134,111	126,808	122,421	111,593	136,817
White Fish – Box Landings	299,293	290,651	288,233	249,265	210,673
Offshore Oil – cargo tonnes	9,026	5,295	2,199	4,131	3,745
Renewables –cargo tonnes	5,157	5,481	8,727	84	6,886
General Cargo - tonnes	19,340	16,482	50,332	36,407	47,260
Fish Cargo - tonnes	16,836	19,484	14,714	12,423	20,380
Tankers – tonnes	39,750	38,747	34,261	25,967	24,201
Cruise – Passengers	5,100	3,117	2,227	3,182	2,234

Business and Operations Review

FINANCIAL HIGHLIGHTS

£3.150 Million TURNOVER	£850,952 Profit before Tax	£3.487 Million Net Current Assets	£371,000 Capital Expenditure
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Financial year 2016-17 was an excellent trading year for the Trust. Turnover for the year amounted to £3.150 million, an increase of £397,000 on the 2016-17 figures. When property revenues are included the total Trust revenues rose at £3.377 million, a record figure for the third consecutive year. Profit before tax increased to £850,952, an increase of £342,176 on the previous year. It is again pleasing to report that year on year growth across the majority of the Trust's trading sectors with fishing and energy sectors showing the greatest increase.

The Trust balance sheet remains strong with a strengthening working capital position. At 31st March 2017 the Trust had net current assets amounting to £3.487 million compared with £2.798 million in the previous year. Continued financial health backed by a strong working capital position lays a solid foundation for further infrastructure works at Scrabster.

Total gross registered tonnage (GRT) through the port for the financial year to 31st March 2017 was 8.569 million tonnes compared with 8.279 million tonnes in the previous year, an increase of 3.5%. . Vessel arrivals totalled 2,211 a small decrease on the previous year's figure of 2,258.

SECTOR REVIEW

Ferry

Ferry revenues remain the Trust's largest revenue stream. Passenger numbers on the lifeline ferry link totalled 134,111 an increase of 6% compared to 2015-16. Overall Ferry revenues were 3.4% higher than the previous year.

There were no disruptions to the ferry service during the year other than weather. The Hamnavoe will have a scheduled dry-docking in early 2017.

In February 2017 Scottish Government announced a review of the arrangements for the procurement of ferry services. This review is currently ongoing and may lead to changes in the way ferry services are procured in future. As a result of the review, the current Northern Isles Ferry Services contract (NIFS), which was due to end in April 2018, is likely to be extended into 2019.

In August 2017, Scottish Government announced that Road Equivalent Tariff (RET) will be introduced on the Pentland Firth routes in the first half of 2018. The scheme should see foot passenger fares cut by an average of more than 40%, whilst car fares will be reduced by an average of more than 30%. The Trust welcomes the introduction of RET on the Stromness to Scrabster route but the details of the scheme have still to be rolled out.

Fishing

Fishing activity, as measured by box landings, grew by 3% to 299,293 boxes. Consigned landings grew by 26% compared with the previous year, with landings through the market reducing. Fishing revenues increased by 18% in the year.

The Trust has continued to pay a loyalty rebate to whitefish and shellfish vessels making more than 15 landings in the year. A rebate totalling £33,000 was paid out in respect of financial year 2016-17.

Post year end, the new Trust operated ice plant entered service. This investment reflects the Board commitment to ensure Scrabster remains a major fisheries centre. It is encouraging to see new investment in the fleet using Scrabster, through the building of new vessels and modification to existing vessels. Shore side, local companies are investing processing facilities and transport.

The importance of fishing to Scrabster was underlined again by the release of the UK landing statistics for 2016. In 2016, fish and shellfish weighing 15,989 tonnes and valued at £32.34 million was landed at Scrabster. Scrabster remains the fourth largest landing port in the UK.

Uncertainty remains regarding Brexit. The Trust would wish to see a stable framework established allowing the sector to grow and trade with minimum disruption.

Oil Related and Renewables

Oil and Gas vessel arrivals increased by 40% with vessel tonnage increased by 30% to 679,676 tonnes, an all-time high. Oil & Gas cargo tonnage increased by 70% to 9,026 tonnes.

Scrabster's strategic location, modern infrastructure, developed supply chain and competitive charges has been an attractive proposition to an oil and gas sector adjusting to a new lower cost base. Increased use of Scrabster aligns well with such sector strategies at Maximising Economic Recovery (MER) and Vision 2035.

There were 11 renewable energy related arrivals in 2015-16 compared with 20 arrivals in the previous year. However renewable vessel tonnage nearly trebled to 49,611 tonnes, cargo handled at 5,157 was similar to the 2015-16 level. Renewable projects supported included Phase 1A of the MeyGen project to install tidal devices in the Pentland Firth.

Cruise Ships

There were ten vessel arrivals, four more than the previous year. However the vessel tonnage, at 228,395 tonnes, was 74% up on 2015-16. Cruise passenger numbers totalled 5,100.

General and Other Cargo

General Cargo activity increased decreased with 19,340 tonnes of cargo passing through the port compared with 16,836 tonnes in the previous year. Commodities handled included timber, electrical transformers, rock salt, fish farm supplies and nuclear. Fish cargo tonnages from Faroes decreased to 16,836 tonnes compared with 19,484 tonnes in 2015-16. Oil imports, at 39,750 tonnes, were 2.5% higher than in the previous year.

Pleasure and Small Craft

The number of visiting yachts increased from 48 to 62. Additional pontoon facilities have been installed at the rear of the Ice Quay.

Property

Property revenues were 11% higher than 2015-16 reflecting continued higher demand for temporary storage and laydown areas.

ECONOMIC IMPACT ASSESSMENT (EIA)

To measure the importance of Scrabster Harbour to the Caithness and national economy, an Economic Impact Assessment was carried out by Grangeston Economics between January and June 2017. The assessment was funded with support from the Dounreay Site Restoration Limited socio-economic funding

A recently released report has highlighted Scrabster Harbour's positive economic impact on the Caithness and Scottish economy.

The independent Economic Impact Assessment report found the harbour currently generates £25 million gross value added (GVA) in Caithness and supports over 400 jobs. The figures show an increase from 339 jobs to 403 jobs since the last economic assessment in 2009, underlining the growing role of the harbour to the Caithness economy. GVA has also increased from £14.6 million in 2009 to £24.8 million in 2016, a 70% increase. The report found the wages and salaries arising from the activities of the harbour is up from £6.2 million in 2009 to £10.3 million in 2016. The total economic output of the harbour is now measured at £48 million compared to £39 million in 2009.

Sandy Mackie

Trust Manager



Strategic Planning (Approved by the Board in April 2017)

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 in West of Shetland and in the Northern North Sea.
 - For marine renewables, the port seeks to be an operations and maintenance base for offshore renewable activity.
- 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 landings at Scrabster through modern infrastructure.
 - For the seafood sector, processing and other value added activities will be encouraged.
 - 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 commercial benefit 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 development 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 currently 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. For marine renewable activity there has been limited activity to date, however, the Trust needs to be in a position to respond as the requirements of the sector becomes clearer. Scrabster seeks to be an O&M (Operations and Maintenance) base for the sector but remains open to any opportunity to support fabrication activities.
8. 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.

Delivering the Strategy

The property and estate strategy will be delivered through the following work streams and through partnership working with interested parties and public agencies:

- 1. Port Infrastructure** – the maintenance and improvement of port infrastructure will be progressed with the replacement of the Ice Plant and redevelopment of the Ola Quay being the short term priorities.
- 2. Enterprise Area** – Working with others the Trust will pursue the initial development of the Enterprise Area at Scrabster Farm, including improved access. Initial development will cover basic infrastructure.
- 3. Property acquisition** – The Trust will seek to secure additional properties at the Harbour.
- 4. Land reclamation** – The feasibility of additional land reclamation will be pursued.
- 5. 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

- **Port Infrastructure**

Ice Plant – The £1 million new plate ice plant is formally opened on Fergus Ewing MSP, Cabinet Secretary for Rural Affairs and Connectivity. The new plant, supported by European Maritime Fisheries Funds (EMFF) and Nuclear Decommissioning Authority funding, is capable of 30 tonnes of ice production per day and has storage capacity for 60 tonnes.

Ferry – Improved disabled access has been installed in the Old Ferry Terminal and improvements made to the road crossing adjacent to the terminal and marshalling area. These works were part funded by Scottish Government Ferry Accessibility Funds.

Additional pontoons have been installed on the Ice Quay with support from EMFF through the Highland and Moray FLAG scheme.

Design options and funding proposals for the refurbishment of the existing St Ola Pier continue to be progressed.

- **Enterprise Area**

The Trust continues in dialogue with Highland and Islands Enterprise regarding development options for the enterprise area site.

- **Property acquisition**

Additional covered storage facilities have been acquired close by to the port. .



Compliance & Competence

SAFETY, SECURITY AND ENVIRONMENTAL JASON TO UPDATE

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.

Ian Scott of First Safety Solutions, who is the Trust's Designated Person as required under the Port Marine Safety Code, visited the Harbour in February 2016 to undertake the annual compliance audit of our performance against the Code. There were no major non-conformances arising from the report.

During the year there were eight health & safety adverse events, the majority of which related to trips and falls. All events were fully investigated and where appropriate action taken.



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 revised Oil Spill Contingency Plan was approved by the Maritime and Coastguard Agency in June 2015.

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 2013 to 31st December 2015, SHT achieved 99.9% performance of its Category 1 lights against the required target of 99.8% and 99.5% 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.

Following long consideration, and consultation with users, two landing platforms have been made available at Scrabster to assist with landing operations.

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.

There have been a number of staff changes during the period. In June 2015, Harbour Master Gordon Mackenzie left the Trust to take up a new post at Inverness Harbour. Former Deputy Harbour Master, Jason Hamilton, was promoted to Harbour Master with Ross Farquhar taking on the Deputy role. Ross Macleod has assumed additional new duties as Health and Safety officer.

Also during the year, Colin McEwan, Gordon Cameron, Simon Flear and Helen Davidson left the Trust with Peter Quillian, Chris Noble, James Ross and Deirdre Mackay joining the team.

The Trust continues to offer work experience opportunities for the unemployed and for schools. Harbour staff attend the annual "Jobs and how to get them" event and participate in the Developing the Young Workforce initiative being led by Caithness Chamber of Commerce.

