



SCRABSTER HARBOUR TRUST ANNUAL REPORT

2013-14

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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 2013-14

Non Executive Members

Tom Pottinger, Chairman from 31 October 2013

William Calder, Chairman until 31 October 2013

Colin Calder, Vice Chairman from 31 October 2013

Jock Campbell, Vice Chairman until 31 October 2013

Frank Bremner appointed 31 October 2013

John Cormack

Simon Middlemas

Douglas Robertson appointed 31 October 2013

William Thomson co-opted 20 January 2014

Executive Members

Sandy Mackie, Trust Manager

Gordon Mackenzie, Harbour Master



Chairman's Report

{Tom to provide}

Business and Operations Review

FINANCIAL HIGHLIGHTS

| | | | |
|-----------------------------------|---------------------------|---|--|
| £2.271 Million TURNOVER | £835,724 EBITDA | £1.813 Million Net Current Assets | £486,000 Capital Expenditure |
|-----------------------------------|---------------------------|---|--|

Financial year 2013-14 was another successful trading year for the Trust. Turnover for the year amounted to £2.271 million, almost identical to the 2012-13 figures. Profit before tax amounted to £220,619 ahead of budget projection but lower than the previous year's figure of £307,222. The trading position reflects increased debt servicing costs but also a decline in ferry revenues.

The Trust balance sheet remains healthy with a strong working capital position. At 31st March 2014 the Trust had net current assets amounting to £1.813 million compared with £1.439 million in the previous year. This is a solid and healthy position and a good foundation to progress our development programme.

Total gross registered tonnage (GRT) through the port for the financial year to 31st March 2014 was 7.780 million tonnes compared with 8.989 million tonnes in the previous year. The reduction in tonnage reflects the reduced ferry sailing schedule introduced by Serco Northlink in January 2013. Total vessel arrivals amounts to 2,081 as small decrease on the previous year's figure of 2,103. Fishing vessels and Offshore Oil & Gas arrivals were the sectors showing highest increase.

SECTOR REVIEW

Ferry

Ferry revenues remain the Trust's largest revenue stream. In addition to the effect of the reduced sailing schedule, port revenues were also adversely affected by the disruption to the ferry service arising from the Hamnavoe breaking a crankshaft in May 2013 and the vessel going to dry dock in January 2014. Overall Ferry revenues were 6% lower than the previous year.

Fishing

It is pleasing to report increased fishing activity for the year. Overall white fish revenues increased by 20% with most of the increase being landings through the fish market. The value of shellfish landed increased by 85%. The refrigerated facilities, competitive fuel and good market prices have contributed to revival in fishing activity.

Oil Related and Renewables

Vessel arrivals and tonnage increased by 24% compared to last year. Cargo tonnage increased by 55% to 6,500 tonnes.

There was very limited renewable activity. However the new Jubilee Quay accommodated two visits from ScotRenewables SR250 device. The use of Scrabster underlines the availability of modern port infrastructure plus access to mainland supplies and services. Renewable prospects for 2015 are more positive with both on shore wind and tidal energy support and deployment scheduled through Scrabster.

Cruise Ships

Cruise arrivals at nine vessels was two less than the previous year. However the vessels tonnage and passenger numbers were higher reflecting that larger ships are being attracted to the North of Scotland as a cruise destination. The Trust continue to believe that cruise activity can be increased.

Scrabster continues to be an active member of Cruise Scotland and Cruise Europe. North Highland Initiative, Venture North and Caithness Horizons are working with the Trust to improve the onshore excursions available to the sector.

General and Other Cargo

General Cargo activity decreased with 36,407 tonnes of cargo passing through the port compared with 47,260 tonnes in the previous year.

Fifteen shipments comprising 27,222 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 12,423 tonnes. A new weekly service from Faroes, operated by Eimskip, began in September 2014.

Oil imports, at 25,967 tonnes, were higher than in the previous year. Vessel arrivals were lower reflecting that larger vessels with larger loads are able to use the tanker berth on the new Jubilee Quay.

Pleasure and Small Craft

The number of visiting yachts fell from 62 to 53. The pontoon facilities installed in the inner basin continue to be oversubscribed.



Key Operational Indicators

| Number of Arrivals | 2013-14 | 2012-13 | 2011-12 |
|---------------------------|----------------|----------------|----------------|
| Ferry | 768 | 914 | 962 |
| Fishing | 977 | 823 | 959 |
| Offshore Oil | 89 | 72 | 96 |
| Renewables | 3 | 11 | 3 |
| General Cargo | 73 | 96 | 80 |
| Fish Cargo | 96 | 96 | 100 |
| Tankers | 13 | 19 | 24 |
| Cruise | 9 | 10 | 10 |
| Visiting Yachts | 53 | 62 | 46 |
| Total Arrivals | 2,081 | 2,103 | 2,280 |

| Tonnage of Vessels | 2013-14 | 2012-13 | 2011-12 |
|---------------------------|------------------|------------------|------------------|
| Ferry | 6,662,034 | 8,024,920 | 8,589,779 |
| Fishing | 214,733 | 181,371 | 223,647 |
| Offshore Oil | 372,671 | 298,897 | 385,774 |
| Renewables | 2,552 | 44,970 | 22,049 |
| General Cargo | 136,532 | 95,096 | 98,657 |
| Fish Cargo | 236,352 | 236,106 | 246,200 |
| Tankers | 39,951 | 27,513 | 30,626 |
| Cruise | 133,767 | 80,073 | 139,873 |
| Total Tonnage | 7,798,592 | 8,988,946 | 9,736,605 |

| Traffic Statistics | 2013-14 | 2012-13 | 2011-12 |
|-----------------------------|-----------------|----------------|----------------|
| Ferry- passenger numbers | 111,593 | 136,817 | 138,917 |
| White Fish – Landings | £17.824 million | £15,891million | £18.517million |
| Shellfish - Landings | £3.02 million | £1.89 million | £2.522 million |
| Offshore Oil – cargo tonnes | 6,493 | 4,185 | 5,148 |
| Renewables –cargo tonnes | 84 | 6,886 | 1,409 |
| General Cargo - tonnes | 36,407 | 47,260 | 46,111 |
| Fish Cargo - tonnes | 12,423 | 20,380 | 19,557 |
| Tankers – tonnes | 25,967 | 24,201 | 28,221 |
| Cruise – Passengers | 3,182 | 2,234 | 3,938 |



Strategic Planning 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 2014

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.

Strategic Programme:

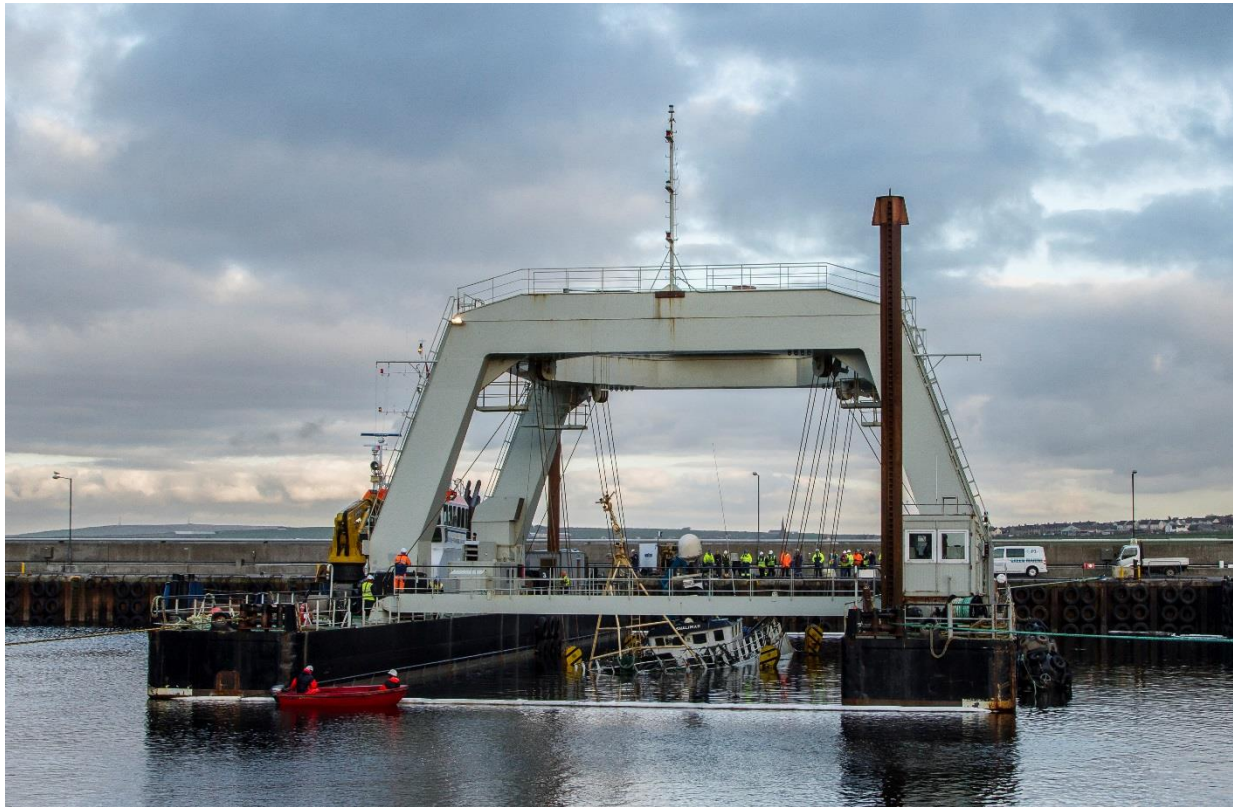
To support this property strategy, a 10 year, multi phase development programme for the harbour area has been produced showing jetty area expansion, land reclamation and building. This is based on a number of assumptions that will be refined as the direction of the energy sector becomes clear over the next year to 18 months.

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.

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 Transport Security who oversee port security across the UK.



Post year end, the Trust's emergency arrangements were tested when MFV Shalimar sank in the Fish Dock. 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 October 2011 to 29th September 2014, SHT achieved 100% performance of its Category 1 lights against the required target of 99.8% and 99.80% performance for its category 2 lights against the required target of 99.0%.

STAFF AND TRAINING

The Board continues to recognise the need for continuous professional and personal development of all members of staff.

Ten members of operational staff are now fully qualified to NVQ Level 2 in Port Operations, making Scrabster the first port in the UK to achieve this level of qualification. This nationally recognised qualification, based on best practices agreed by employers across the port industry, covers areas including Stevedoring, Marine Operations, Passenger Operations, General Port Operations and Team Leading. A further cohort of new employees are pursuing the same qualification.



Scrabster Harbour were assisted in their training efforts by Caithness Chamber of Commerce’s “Make the Right Connections” project.

Working in partnership with the Employment Service and Highland Council, the Trust has offered work experience and longer term employment opportunities to local unemployed youngsters.



SCRABSTER HARBOUR TRUST

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