



SCRABSTER HARBOUR TRUST ANNUAL REPORT

2017-18

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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 2017-18

Non Executive Members

Tom Pottinger, Chairman – term of appointment to September 2018

Colin Calder, Vice Chairman – term of appointment to September 2020

Alexander Anderson – term of appointment to September 2020

Frank Bremner – term of appointment to September 2019

Simon Middlemas – term of appointment ended 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

Due to the sound investment decisions of previous Trust Boards and the able management of the business I am delighted to be able to welcome the fourth successive year of record turnover and profit for Scrabster Harbour. Sandy Mackie, Trust Manager, gives a detailed breakdown of the varied aspects of the business in his report.

Scrabster Harbour Trust has been in existence for a long time; since 1841. The Trust Board needs to look at the long term interests of the port and the wider area. This has resulted in the ongoing investment in the harbour development from its inception. Due to Scrabster being one of the many "Trust Ports" in Scotland, effectively owned by the wider "community" all the profits are reinvested in the harbour. In 2013 we saw the completion of the Jubilee Quay and the delivery of an ambitious project under budget. This has been instrumental in the increase in activity at the port. The next phase in the ongoing improvements at Scrabster is the Ola Quay redevelopment to give a double sided pier of 250 to 280 metres in length. Sandy Mackie describes the project in more detail below and indicates the progress to date. To succeed with this upgrading of the facilities at Scrabster we need the support and match funding of our other stakeholders at local and national level.

I make no apology for emphasising the potential importance of the Ola Quay project to the local area with the resulting capability of increases in the size of oil related, cruise ships and general cargo vessels that could be accommodated at Scrabster. The further development of West of Shetland oil fields and reduced steaming time to the mainland puts us in prime position to service this opportunity but we need to act quickly, before the oil industry becomes more entrenched in its existing way of operating. We have very good engineering capabilities in the north and excellent transport links to make this happen. Regarding cruise ships; the summer of 2018 has seen 12 vessels coming to Scrabster and we have 15 booked for next year already. The industry is growing very quickly and is always looking for new destinations to appeal to its passengers. Last summer Orkney turned away 24 vessels that they could not accommodate, this summer they had in the order of 150 arrivals. A fraction of that number could benefit the local economy here to a great extent but our wider tourist industry needs to look at new visitor experiences for not only cruise passengers but also the greater number of visitors coming to the area generally. Regarding general cargo the construction of a longer quay with more depth will allow larger vessels to add to the already varied mix of materials moved through the port; from timber and chilled salmon to wind turbines and transformers. The announcement from the Crown Estate of a new leasing round for the seabed in regard to offshore wind, along with the Scottish Governments identification of areas of search to the north and west of Scrabster, could mean another development of the scale of the Beatrice wind farm. This would put Scrabster in prime position as an Operation and Maintenance base.

While the Board and management are focused on the Ola Quay project we are not forgetting our staple businesses of the ferry link to the Orkneys and the fishing industry. It is essential that we maintain our status as providing the port for the life line ferry link to Orkney. With Scrabster allowing twenty four hour year round access and excellent port facilities, as well as being at the end of the trunk road network we hope to maintain this status. The Trust Board is also pleased to see that the Scottish Government has listened to its stakeholders and will place the next ferry contract out to tender rather than being taken "in house".

The fishing fleet continues to perform well in spite of the continuing uncertainty over “Brexit”. In reading my previous Chairman’s report for 2016-2017 not much has changed in the interim! My personal concern is that the fishing industry and access to British waters will be used as a bargaining tool in political negotiations. When one relates to harbour visitors that Scrabster is a base for exports of shellfish, whitefish and chilled salmon to many parts of Europe and the wider world and that we are the fourth or fifth biggest port in the UK in terms of value of the fishing sector landings the reaction is always one of surprise. I feel that, at times, we need to promote ourselves more.

I will close by expressing my thanks to Sandy Mackie and his team for all the good work they are doing. My thanks go to Board members past and present for their input on behalf of the port and thanks and good wishes to all our stakeholders who use the harbour or assist in its development.

Tom Pottinger

Chairman



Key Operational Indicators

Number of Arrivals	2017-18	2016-17	2015-16	2014-15	2013-14
Ferry	803	798	806	794	768
Fishing	1,145	1,049	1,125	1,068	977
Offshore Oil	96	136	97	76	89
Renewables	4	11	20	17	3
General Cargo	90	55	56	85	73
Fish Cargo	53	53	55	75	96
Tankers	39	37	45	24	13
Cruise	11	10	6	8	9
Visiting Yachts	61	62	48	61	53
Total Arrivals	2,302	2,211	2,258	2,208	2,081

Tonnage of Vessels	2017-18	2016-17	2015-16	2014-15	2013-14
Ferry	7,026,860	7,006,440	7,007,762	6,971,220	6,662,034
Fishing	254,691	245,613	243,873	241,272	214,733
Offshore Oil	457,595	679,676	525,090	318,943	372,671
Renewables	22,296	49,611	19,272	27,906	2,552
General Cargo	153,080	74,766	61,473	138,222	136,532
Fish Cargo	211,497	235,906	244,890	248,896	236,352
Tankers	50,700	48,100	44,892	37,681	39,951
Cruise	191,140	228,395	131,498	81,431	133,767
Total Tonnage	8,367,859	8,568,507	8,278,750	8,065,571	7,798,592

Traffic Statistics	2017-18	2016-17	2015-16	2014-15	2013-14
Ferry - passenger numbers	147,183	134,111	126,808	122,421	111,593
White fish - Box Landings	292,523	298,943	290,651	288,233	249,265
Offshore Oil - cargo tonnes	12,141	9,026	5,295	2,199	4,131
Renewables - cargo tonnes	82	5,157	5,481	8,727	84
General Cargo - tonnes	35,771	19,340	16,482	50,332	36,407
Fish Cargo - tonnes	13,809	16,836	19,484	14,714	12,423
Tankers - tonnes	41,292	39,750	38,747	34,261	25,967
Cruise - Passengers	4,350	5,100	3,117	2,227	3,182

Business and Operations Review

FINANCIAL HIGHLIGHTS

£3.605 Million Turnover	£1.118 Million Profit before Tax	£4.358 Million Net Current Assets	£923,000 Capital Expenditure
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Financial year 2017-18 was yet another outstanding trading year for the Trust. Turnover for the year amounted to £3.605 million, an increase of £455,000 on the 2016-17 figures. When property revenues are included the total Trust revenues rose to £3.803 million, a record figure for the fourth consecutive year. Profit before tax increased to £1.118 million, an increase of £266,907 on the previous year. Once again the successful year was achieved from growth across a variety of the Trust's trading sectors with ferry and fishing showing the greatest increase.

The Trust balance sheet remains healthy with further strengthening of the Trust's working capital position. At 31st March 2018 the Trust had net current assets amounting to £4.358 million compared with £3.487 million in the previous year. Continued financial health backed by a strong working capital position has allowed the Trust to progress its next stage of infrastructure development focussed on the existing St Ola Pier.

Vessel arrivals totalled 2,302 an increase on the previous year's figure of 2,211, with much of the increase coming from the fishing sector. Total gross registered tonnage (GRT) through the port for the financial year to 31st March 2018 was 8.367 million tonnes compared with 8.569 million tonnes in the previous year, a decrease of 2.3%. The bulk of decrease arising from the reduction in energy related traffic from the historic record levels in 2016-17.

SECTOR REVIEW

Ferry

Ferry revenues remain the Trust's largest revenue stream. Passenger numbers on the lifeline ferry link totalled 147,183 an increase of 9.8% compared to 2016-17. Ferry traffic now exceed the levels enjoyed in 2012 when the number of sailings was reduced.

There were no disruptions to the ferry service during the year other than due to weather. MV Hamnavoe was out of service from 21st January to 5th February 2018 for statutory survey. Cover was provided during this period by the freight vessel MV Helliard.

Due to the Scottish Government review of the procurement policy for Scotland's lifeline ferry services, the current ferry contract has been extended through to 31st October 2019. The Trust is pleased that the Scottish Government is to again tender the next ferry contract, rather than bringing it in house. The next contract will be awarded during the summer of 2019 and Transport Scotland started the procurement process in June 2018.

The Trust is disappointed that the expected reduction in ferry fares, through the introduction of the Road Equivalent Tariff scheme, has been delayed due to State Aid and competition issues. RET has been in place on the West Coast ferry routes since 2008.

The Scottish Government programme for Government 2018-19 includes a renewed commitment to pursue all avenues to deliver RET for Orkney and Shetland. This is very welcome, however, it is frustrating that the communities of Caithness and Orkney continue not to benefit from fares reduction / RET.

Fishing

Fishing activity, as measured by box landings, fell by 3% to 292,523 boxes. Consigned landings reduced by 7.2% compared with the previous year with landings through the local market increasing by 11.5%. However there was a significant increase in the value of landings at Scrabster with the port fishing revenues increasing by 25% in the year. Shellfish revenues increased by 43% 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 over £44,000 was paid out in respect of financial year 2017-18.

Whilst uncertainty continues regarding Brexit, both the whitefish and shellfish sectors have enjoyed a period of good health with plentiful stocks, good prices and investment in the fleet and support infrastructure.

Oil Related and Renewables

After the all-time high activity achieved in 2016-17 Oil and Gas vessel arrivals and tonnage declined by 30% in the year. However, Oil & Gas cargo tonnage increased by 34% to 12, 141 tonnes.

West of Shetland prospects remain encouraging with continued drilling activity by major operators and smaller independents. Locally it is encouraging that the Subsea 7 facility has secured new pipeline bundle contacts.

There was very limited renewable activity in the period. It was disappointing that the Dounreay Tri floating wind project went into administration. However, the Trust notes that the next round of Crown Estate offshore wind leasing round is likely to include sites which could be supported from Scrabster.

Cruise Ships

There were eleven cruise vessel arrivals, with a vessel tonnage of 191,140, during the summer of 2017. Cruise passenger numbers totalled 4,350.

General and Other Cargo

General Cargo activity increased with 35,771 tonnes of cargo passing through the port compared with 19,340 tonnes in the previous year, the increase being explained by greater timber shipments. Commodities handled included timber, electrical transformers, rock salt, fish farm supplies and nuclear. Fish cargo tonnages from Faroes decreased to 13,809 tonnes compared with 16,836 tonnes in 2016-17. Oil imports, at 41,292 tonnes, were 3.8% higher than in the previous year.

Pleasure and Small Craft

The number of visiting yachts decreased from 62 to 61. The inner harbour pontoons continue to be fully subscribed and additional pontoons were installed during the summer of 2017 at the rear of the Ice Quay.

Property

Property revenues were maintained at similar levels to 2016-17.

Sandy Mackie
Trust Manager



Strategic Planning (Approved by the Board in June 2018)

Scrabster Harbour Trust business strategy is focused on:

- Growth in energy related port activity (oil and gas, marine renewables) and cruise ship activity:
 - 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 offshore renewable activity.
 - For the cruise industry, Scrabster seeks to accommodate larger vessels and contribute to the continued growth of Scottish cruise tourism.
- The retention and growth of ferry, fishing and general cargo 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.

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 refurbishment of the Ola Quay being the short term priority.
- 2. Property acquisition** – The Trust will seek to secure additional properties at the Harbour.
- 3. Land reclamation** – The feasibility of additional land reclamation will be pursued.
- 4. 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.

Infrastructure Progress in 2017-18

Capital Expenditure totalling £923,000 was incurred during 2017-18.

New Ice Plant - The £1 million new plate ice plant was formally opened on 4th September 2017 by Fergus Ewing MSP, Cabinet Secretary for Rural Affairs and Connectivity. The new plant, supported by European Maritime Fisheries Funds (EMFF) and Nuclear Decommissioning Authority NDA funding, is capable of 30 tonnes of ice production per day and has storage capacity for 60 tonnes.

Ferry Accessibility - 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.

Pontoons - Additional pontoon facilities were installed on the Ice Quay during the summer of 2017 with support from EMFF through the Highland and Moray FLAG scheme.

Electric Car Charging point – New charging points have been installed, with support from Transport Scotland / Energy Savings Trust, adjacent to the ferry marshalling area.

Ola Project - Following a competitive procurement exercise, RPS Ireland Ltd were appointed to provide the marine civil engineer services required to progress the project to redevelop the existing St Ola Pier. Their appointment is part funded by support from the Nuclear Decommissioning Authority.

Further detail regarding the St Ola project is set out below:

St Ola Project in Summary

Building upon previous success and investment, multi – purpose redevelopment of the existing St Ola Pier has been identified as necessary to grow activity in the following target markets: cruise and offshore energy.

The anticipated cost for the redevelopment works is currently £15.6 million.

The current programme assumes procurement of the construction works beginning in Quarter 4 2018 with contract award in summer 2019 and the completion of the construction works by the end of 2020.

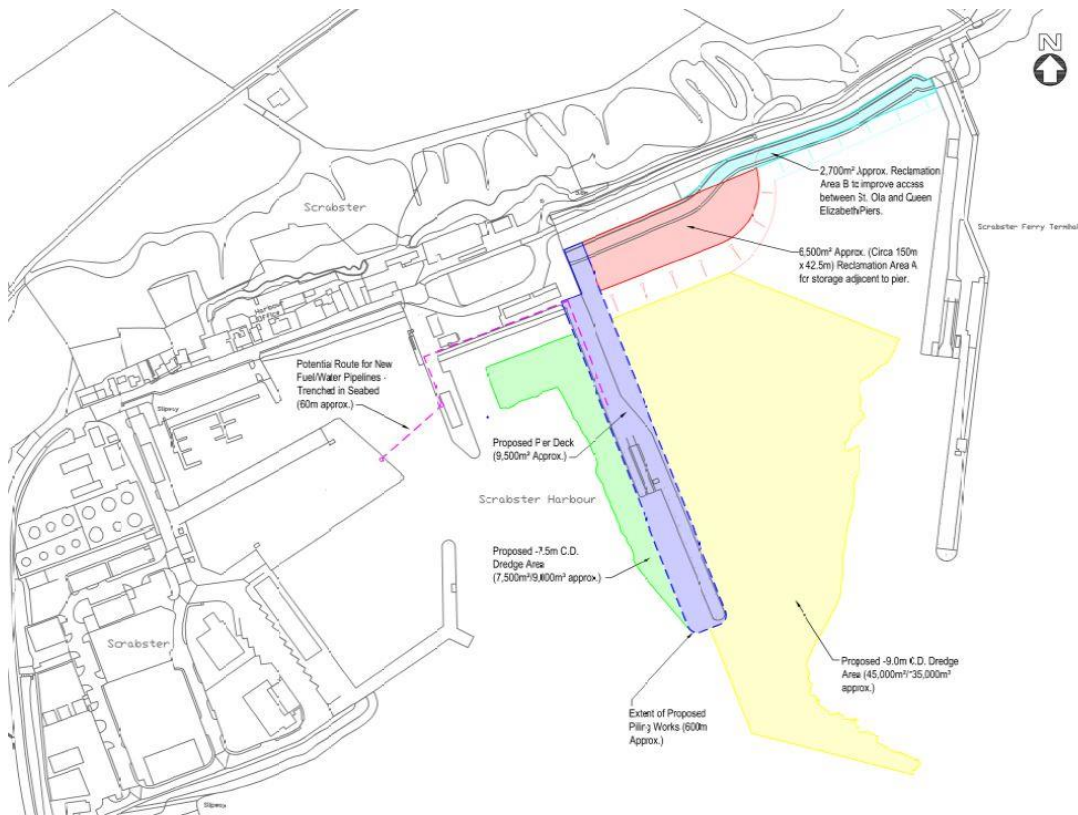
The Trust's project objectives for the development are to procure and implement a single design and build contract for:

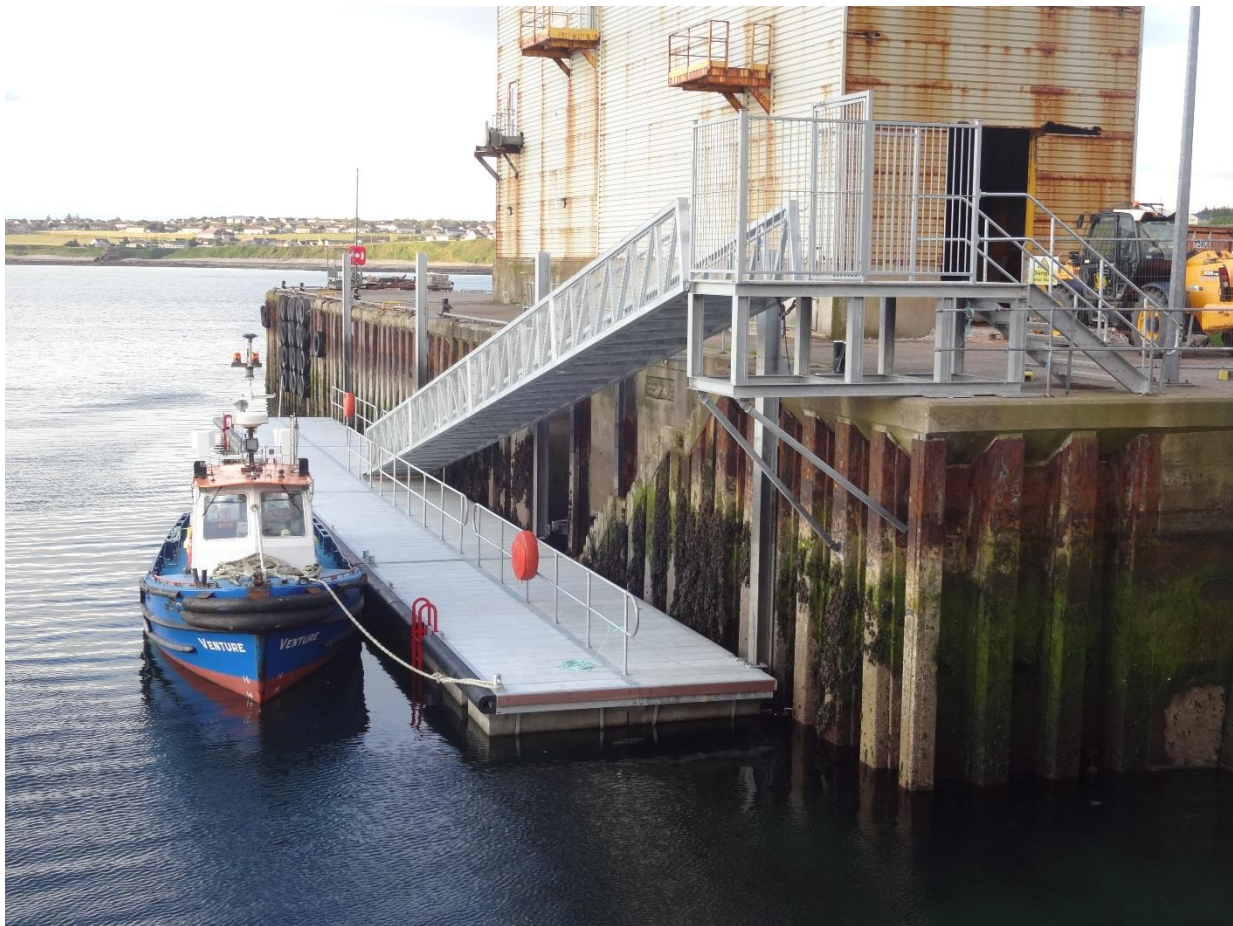
- dredging of the area to the west of the Ola pier and the area between the Ola and Queen Elizabeth piers to a water depth of no less than 9 metres, limited dredging on the east to 7.5 metres;
- construction of new berthing walls and a new pier slab to provide additional capacity for the anticipated future use of Scrabster Harbour



The project benefits (assessed at Year 5 following construction) are projected as follows:

- **Short term employment and local business benefits over construction period**
- **6% increase in total vessel arrivals at Scrabster**
- **20% increase in total vessel tonnage at Scrabster**
- **18% increase in port revenues**
- **Additional 30,000 cruise passengers per annum arriving at Scrabster, on vessels carrying a total of 10,500 crew**
- **Cruise passenger and crew spend in Caithness of £1.830 million**
- **Economic Impacts (Direct, Indirect & Induced) by 2025-2026**
 - **Additional Jobs (FTEs) - 46.30**
 - **Gross Value Added - £1.646 million**
 - **Economic Output - £2.601 million**
- **Further opportunities for local supply chain development in the energy and tourism sectors.**





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.

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 2018 to undertake the annual compliance audit of our performance against the Code. There were no major non-conformances arising from the report.

As good practice in 2018 the Trust will be undertaking further audit and assessment of our health, safety and environmental practices.

During the year there were five health & safety adverse events. 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. We are currently undertaking a 3 yearly review of our Port Facility Security Plan.

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 2015 to 31st December 2017, SHT achieved 100% performance of its Category 1 lights against the required target of 99.8% and 99.97% 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. Our annual training programme is focused on ensuring compliance with statutory requirements and the codes of practice applicable to the Trust's activities. Trust employees are currently trialling training using an eLearning online system. The online training is more efficient and flexible in terms of time and cost with all the training being undertaken within the Harbour Office.

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 participates in the “Developing the Young Workforce” initiative being led by Caithness Chamber of Commerce. In addition local schools and apprentices have been given the opportunity to visit the port including, where possible, tours of vessels.

