



SCRABSTER HARBOUR TRUST ANNUAL REPORT

2018-19

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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 2018-19

Non-Executive Members

Tom Pottinger, Chairman – term of appointment to September 2021

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

Douglas Robertson – term of appointment to September 2019

William Thomson – term of appointment to September 2021

Douglas Mackay - co-opted member until September 2019

Executive Member

Sandy Mackie, Trust Manager



Chairman's Report

On behalf of the Board of Directors of Scrabster Harbour Trust I am delighted to welcome the fifth successive year of record turnover and profit for the year to 31st March 2019. Sandy Mackie, Trust Manager, will give a detailed breakdown of how this was achieved in his following report.

We are already almost halfway through the next financial year and the Trust is very much engaged in looking to the future and the ongoing planned redevelopment of the "Ola Quay". We are extremely thankful to both the Nuclear Decommissioning Authority (NDA) and Highlands and Islands Enterprise (HIE) for their commitment to award grant funding to the project. The Trust has apportioned £9M of its own funds; through cash reserves and borrowing, towards the £17M required. This comes just six years after the completion of the "Jubilee Quay" development, with the success of the latter boding well for our new ambitious proposal.

The ongoing exploration and successful delivery of oil and gas projects West of Shetland, with the increasing use of Scrabster by related vessels, gives the Board confidence that a new deep water pier, with fuel and water provision, along with the well-established local engineering sector, will attract more business to the port and local area. It must be more efficient for the oil and gas industry to halve the sea voyage to Aberdeen by using Scrabster for many of their logistical requirements.

The other main target sector for the Ola redevelopment is the cruise ship business. From our relatively small base of around one dozen cruise vessels per annum visiting Scrabster we aim to increase this number to forty, over a five-year period. The potential is certainly there with cruise industry executives always on the look out for new passenger experiences. The ability to berth a 250 metre long cruise ship with up to 1000 passengers will bring a step change to the development of the local tourist industry. Opportunities will arise for businesses to service this requirement on top of the increase in visitor numbers we are currently seeing due to a number of factors.

Other opportunities may arise to make use of the redeveloped quay such as larger cargo vessels. Offshore wind development to the north and west of Thurso is a possibility with the Crown Estate's seabed leasing round opening up in October. Potential for development of the scale of Beatrice, or bigger, could become a reality with serious wind industry interest. On shore wind developments already consented and in planning, along the north coast, will require the new quay to enable access to the road network for turbine delivery; due to the increase in turbine size. There are also ongoing enquiries from potential Faroese and Icelandic interests.

I do not apologise for concentrating my report on future development as I think that locally based business with a long-term commitment to the area is the best suited to meet the challenges of a future without the nuclear industry.

At Scrabster we are committed to the success of all our stakeholder businesses. The fishing sector faces an uncertain Brexit related future. The recent unfortunate fire at Scrabster Seafoods premises has motivated the harbour staff to assist in whatever way they can to enable the business to continue operations by means of alternative facilities. What will happen to the export business post "Brexit" is impossible to foresee. The new ferry contract is due to be announced soon; hopefully it will not be long before Road Equivalent Tariff (RET) is introduced with its likely increase in ferry passengers.

I will close by thanking Sandy Mackie and his staff for all their efforts in working to make the port an integral part in the success of the Caithness and indeed, national, economy. I must also thank my fellow Board members for their contribution towards the ongoing success of Scrabster Harbour. Special mention and thanks should be recorded to Douglas Robertson who steps down as a Board member at the 2019 AGM, having served a long “apprenticeship” as Clerk to the Board.

Tom Pottinger

Chairman



Key Operational Indicators

Number of Arrivals	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Ferry	805	803	798	806	794	768
Fishing	1,344	1,145	1,049	1,125	1,068	977
Offshore Oil	105	96	136	97	76	89
Renewables	6	4	11	20	17	3
General Cargo	81	90	55	56	85	73
Fish Cargo	48	53	53	55	75	96
Tankers	31	39	37	45	24	13
Cruise	12	11	10	6	8	9
Visiting Yachts	48	61	62	48	61	53
Total Arrivals	2,480	2,302	2,211	2,258	2,208	2,081

Tonnage of Vessels	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Ferry	7,057,334	7,026,860	7,006,440	7,007,762	6,971,220	6,662,034
Fishing	309,338	254,691	245,613	243,873	241,272	214,733
Offshore Oil	519,995	457,595	679,676	525,090	318,943	372,671
Renewables	40,050	22,296	49,611	19,272	27,906	2,552
General Cargo	136,443	153,080	74,766	61,473	138,222	136,532
Fish Cargo	195,992	211,497	235,906	244,890	248,896	236,352
Tankers	49,512	50,700	48,100	44,892	37,681	39,951
Cruise	203,174	191,140	228,395	131,498	81,431	133,767
Total Tonnage	8,511,838	8,367,859	8,568,507	8,278,750	8,065,571	7,798,592

Traffic Statistics	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Ferry - passenger numbers	153,530	147,183	134,111	126,808	122,421	111,593
White fish - Box Landings	355,049	292,523	298,943	290,651	288,233	249,265
Offshore Oil - cargo tonnes	8,689	12,141	9,026	5,295	2,199	4,131
Renewables - cargo tonnes	42	82	5,157	5,481	8,727	84
General Cargo - tonnes	33,073	35,771	19,340	16,482	50,332	36,407
Fish Cargo - tonnes	15,314	13,809	16,836	19,484	14,714	12,423
Tankers - tonnes	39,536	41,292	39,750	38,747	34,261	25,967
Cruise - Passengers	4,390	4,350	5,100	3,117	2,227	3,182

Business and Operations Review

FINANCIAL HIGHLIGHTS

£3.917 Million Turnover	£1.263 Million Profit before Tax	£5.568 Million Net Current Assets	NIL Capital Expenditure
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Financial year 2018-19 was yet another outstanding trading year for the Trust. Turnover for the year amounted to £3.917 million, an increase of £312,000 on the 2017-18 figures. When property revenues are included the total Trust revenues rose to £4.124 million, a record figure for the fifth consecutive year. Profit before tax increased to £1.263 million, an increase of £145,000 on the previous year. Once again, the successful year was achieved from growth across a variety of the Trust's trading sectors with ferry, fishing and oil & gas activities showing the greatest increase.

The Trust balance sheet remains very healthy with further strengthening of the Trust's working capital position. At 31st March 2019 the Trust had net current assets amounting to £5.568 million compared with £4.258 million in the previous year. Continued financial health backed by a strong working capital position permit the Trust to continue its programme of further infrastructure development.

Vessel arrivals totalled 2,480 an increase on the previous year's figure of 2,302, with most of the increase coming from the fishing sector. Total gross registered tonnage (GRT) through the port for the financial year to 31st March 2019 was 8.512 million tonnes compared with 8.367 million tonnes in the previous year, an increase of 1.7%.

SECTOR REVIEW

Ferry

Ferry revenues remain the Trust's largest revenue stream. Passenger numbers on the lifeline ferry link totalled 153,530 an increase of 4.31% compared to 2017-18.

There were no disruptions to the ferry service during the year other than due to weather. MV Hamnavoe was out of service from 13th January to 22nd January 2019 for statutory survey. Cover was provided again during this period by the freight vessel MV Helliard.

The procurement process leading the award of the next Northern Isles Ferry Service contract has been delayed due to legal challenge, although an award announcement is expected shortly. The next contract is due to commence on 31st October 2019 and run for six years, with an option for an extension of a further two years.

There are indications that the Scottish Government intends to introduce Road Equivalent Tariff on the Pentland Firth route. Based on experience elsewhere this should result in increased ferry traffic bringing benefit to travellers and the communities on both sides of the Pentland Firth.

Fishing

Fishing activity, as measured by box landings, rose by 21% to 335,049 boxes. Consigned landings increased by 37% compared with the previous year with landings through the local market reducing by 19%. Overall port fishing revenues increasing by 18% in the year to a record level. Shellfish revenues increased by 14% 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 £46,000 was paid out in respect of financial year 2018-19. Uncertainty regarding Brexit remains a concern.

Oil Related and Renewables

Oil and Gas vessel arrivals and tonnage increased by 14% in the year. However, Oil & Gas cargo tonnage decreased from 12,141 tonnes to 8,689 tonnes.

West of Shetland (WoS) prospects remain encouraging with oil firms putting the area at the centre of their recovery plans for the UK Continental Shelf. The series of WoS discoveries and successful project launches since 2017 has encouraged further exploration in the area. This position is underscored by the award of 20 WoS licences in the UK'S 31st Offshore Licensing round in June 2019, and more than 50 awards in the previous round in 2018, to both major operators and smaller independents. Locally the port will continue to support the Subsea 7 Wester facility with several pipeline bundle towouts planned for 2020s.

Once again there was very limited renewable activity in the period. A number of onshore windfarm development, to the west of the port, are planned from the second half of 2021. For offshore wind, the next Scottish leasing round is expected to commence in October and will include sites which could be supported from Scrabster.

Cruise Ships

There were twelve cruise vessel arrivals, with a total vessel tonnage of 203,174 tonnes, during the summer of 2018. Cruise passenger numbers totalled 4,390 a small increase on the previous year.

General and Other Cargo

General Cargo activity declined with 33,073 tonnes of cargo passing through the port compared with 35,771 tonnes in the previous year, the decrease being explained by a reduction in timber shipments. Commodities handled included timber, rock salt, fish farm supplies and nuclear. Fish cargo tonnages from Faroes increased to 15,314 tonnes compared with 13,809 tonnes in 2017-18. Oil imports, at 39,536 tonnes, were 4.3% lower than in the previous year.

Property

Property revenues decreased by 5% in the year due to a reduction in storage income.

Sandy Mackie
Trust Manager



Strategic Planning (Approved by the Board in May 2019)

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 activities:
 - 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:

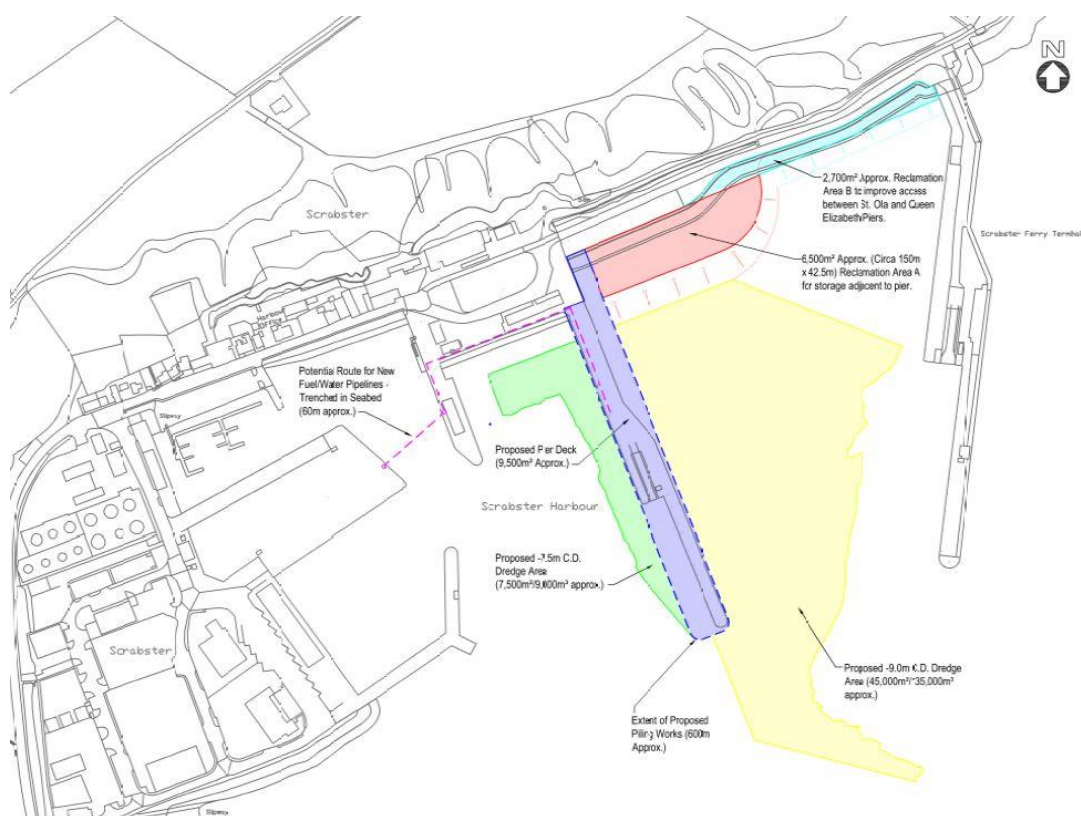
- 1. Port Infrastructure** – The maintenance and improvement of port infrastructure will be progressed with the refurbishment of the Ola Quay being the short term priority.
- 2. Property acquisition** – The Trust will seek to secure additional properties at the Harbour.
- 3. Land reclamation** – The feasibility of additional land reclamation will be pursued.
- 4. Reconfiguration** – The existing harbour estate 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 2018-19

There was no capital expenditure incurred in 2018-19. This is largely explained by the focus and effort being directed to progressing the plans for the redevelopment of the St Ola Pier.

In early April 2019 the Nuclear Decommissioning Authority (NDA) awarded £5 million of grant funding towards the project. This is the largest Socio-Economic award ever made by the NDA in Scotland. In August Highland and Islands Enterprise (HIE) announced a further £3 million support for the project. The remainder of project funding, £9 million, is coming from Scrabster Harbour Trust through a combination of cash reserves and additional bank borrowing.



The procurement process to select a contractor for the project is underway. In compliance with procurement rules the works were advertised in the Journal of the European Union in January 2019. Following a prequalification process three bidders have been selected to take part in a negotiated procedure leading to the selection of a preferred bidder. The bidder's tenders are scheduled to be received in late October 2019 with a preferred bidder being selected at the end of November 2019.

The project requires construction and dredging licences to be granted by Marine Scotland. In support of the licence applications an Environmental Impact Assessment has been prepared. Also, a pre licence submission public consultation event was held in June 2019. A total of forty-five people attended the event with a wide range of stakeholders present including local businesses, port users, port employees and the wider community. All those attending were given the opportunity to provide feedback. All the respondents said that they had been provided with enough information regarding the project. Noise and Vibration plus traffic were identified as the main environmental concerns associated with the project. With one exception, the respondents said that the project will be beneficial for the economy and indicated their support for the project.

The public consultation feedback formed part of the information submitted to Marine Scotland in July 2019 together with our licence applications.

The current programme shows the construction works beginning January 2020 with the project being complete late spring / early summer 2021.

New Ice Plant - The plate ice plant installed in 2017 has outperformed the original business projections and is a contributory factor to the record fishing revenues achieved in 2018-19.

Harbour Property – Post year end the Trust acquired control of the site G3 at the Scrabster Seafood Park. The premises has been let out to a local business allowing continuity of engineering support to the fishing and other 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 2019 to undertake the annual compliance audit of our performance against the Code. There were no major non-conformances arising from the report.

Ian Scott of First Safety Solutions also conducted an audit and assessment of our health, safety and environmental practices. There were no major non-conformances arising from the report.

During the year there was one health & safety adverse event. The event was 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. As part of the ISPS compliant process the plan has to be reviewed, updated and approved every three years. Scrabster Harbour's plan was reviewed, updated, submitted and approved late 2018.

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 2016 to 31st December 2018, SHT achieved 100% performance of its Category 1 lights against the required target of 99.8% and 99.98% performance for its category 2 lights against the required target of 99.0%.

Under the Merchant Shipping Act 1995 (Sections 193 and 198), the Northern Lighthouse Board (NLB) has the duty of superintendence over all 'Local Lighthouse Authority' and 'Third Party' Aids to Navigation (AtoN). In June 2019 the NLB carried out an audit of our AtoN Management System against the requirements of the Port Marine Safety Code (PMSC), supported by International Association of Lighthouse Authorities (IALA) recommendations. There were no non-conformances, due to some legislated changes the NLB made some recommendations that the Trust has now adopted.

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 now using an eLearning online system for some courses. 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. This allows the person to gain skills in communication, teamwork, problem solving, motivation and time management; these are all soft skills which are essential to have in the workplace and are highly valued by employers. The Trust is fully supportive of these schemes and see it as assisting the local community.

