

WAVERLEY PADDLE STEAMER – REQUEST FOR 3 YEAR FUNDING PACKAGE

1.0 SUMMARY

- 1.1 The Waverley Paddle Steamer is a long established visitor attraction associated with the Clyde and West of Scotland. Carrying an average of 64,000 passengers per annum, the Waverley remains not only an important part of our tourism offer, but a vessel that brings economic benefit to our economy and communities.
- 1.2 However, the Waverley is dependent on grant funding to continue to operate and recent sources of funding are now near depleted. The operators of the vessel are seeking a 3 year grant funding structure with the key local authorities that benefit from visits from the Waverley.
- 1.3 The funding request to the Council is £45,000 phased over 3 years funded from the General Fund Reserve. The operators consider that a 3 year package with a number of partners will allow them to focus on growing the business with the aim of developing a more sustainable business.
- 1.4 Whilst such a package will greatly assist with their objective, it should be noted that due to the nature of their business and the high costs of maintaining and operating the Waverley, the operators consider that grant funding will always be required and therefore there are no guarantees that there will not be future requests for funding beyond the 3 year grant period.
- 1.5 Nonetheless, members are requested to consider the proposal with consideration to the economic and social benefits to our communities and the cultural capital associated with the Waverley Paddle Steamer.

2.0 RECOMMENDATIONS

- 2.1 That members agree to the payment of £45,000 to Waverley Excursions Ltd from the Council's General Fund Reserve.
- 2.2 That the payment totalling £45,000 will be phased over 3 consecutive financial years as follows; 2013/14 - £20,000, 2014/15 - £15,000, 2014/15 - £10,000.

3.0 DETAIL

- 3.1 The Waverley Paddle Steamer is well established as a unique aspect of our maritime heritage. Operating in and the around the River Clyde and the Western Isles, the Waverley remains a popular visitor attraction and carries an average of 64,000 passengers a year; however, this is in steady decline. The Waverley is operated by Waverley Excursions Ltd (WEL) who described the vessel as a museum which makes an economic and social contribution to our communities.
- 3.2 Currently the Waverley visits Colonsay, Iona, Staffa, Tiree, Oban, Islay, Mull, Campbeltown, Helensburgh, Kilcreggan, Tarbert (Loch Fyne) and Tighnabruaich in Argyll and Bute. Dunoon and Rothesay are undoubtedly the most frequented ports.
- 3.3 Despite its popularity, financial viability is a continuous ongoing difficulty for WEL who are dependent on grant funding to continue operations. The single biggest cost to the Waverley is fuel. It should be noted that fuel is not the only cost factor affecting business planning e.g. maintenance is another high cost factor. However, the principle factor that dictates the success of a season is the weather; i.e. dry weather results in high passenger numbers and wet weather results in low passenger numbers.
- 3.4 The Executive received a request from WEL in November 2011 for additional funding of £15,000 to ensure the financial viability of the vessel. The Executive agreed to fund this one off request with funding secured from uncommitted monies within the General Fund for the financial year 2011 - 2012. It should be noted that the report concluded that funding will not be required from the Council in future years.
- 3.5 WEL have been dependent on significant contributions from the Paddle Steamer Preservation Society (PSPS) over the last few years, however, recently it advised WEL that its reserves are nearly depleted and whilst it continues to support WEL, it cannot currently provide significant financial assistance.
- 3.6 Consequently WEL have sought to build a 3 year partnership with key local authorities to secure a more stable funding structure that allows the small but committed team at WEL to focus on growing the business as opposed to chasing grant funding. The primary local authorities are Argyll and Bute Council, Inverclyde Council, South Ayrshire Council, North Ayrshire Council and Glasgow Council. These regions are identified as the primary ports and destinations of Waverley sailings in Scotland.
- 3.7 Over the summer of 2013, a number of meetings have been held between these local authorities and directly with representative from WEL to better understand the business challenges and identify how local authorities can provide support. Officers from the Council's Economic Development Section attended these meetings.

- 3.8 Separate discussions are ongoing with other potential funders and do not form part of this proposal i.e. Scottish Government, corporate sector.
- 3.9 The local authorities have always provided support in kind by waive of berthing fees. A recent exercise concluded that this contribution in kind from Argyll and Bute Council is worth around £10,000 per annum to WEL.
- 3.10 It is concluded that with exception to grant funding and continued free berthing, there is very little other support that local authorities can provide. It is also concluded that when viewed solely as a business, the future of the Waverley is not viable at all. However, the difficulty is assessing the social and cultural capital of the Waverley alongside an assessment of the economic benefits to our economy and communities; this is deemed to be the only approach on which we can assess the request for funding.
- 3.11 The financial request to the Council is for a total of £45,000 phased over a 3 year period as follows;
- 2013/14 - £20,000
 - 2014/15 -£15,000
 - 2015/16 - £10,000
- 3.12 This request is the same for all the other partner authorities with exception to Glasgow City Council which is £50,000 per annum on account of the significant operating costs of berthing in Glasgow. It should be noted that Glasgow City Council have already made their contribution for this financial year and are minded to financially support the 3 year partnership approach on condition that the other partners approve the above funding package.
- 3.13 This highlights a particular risk to the partnership approach of the consequences of at least one partner not agreeing to the provision of funding to the above levels. Officers are maintaining dialogue to remain updated on each authority's position. Presently, with exception to Glasgow, the likelihood of other authorities is unknown and will remain so until their respective Councils have had an opportunity to make a formal decision.
- 3.14 To assist with understanding the benefits to our economy, WEL commissioned an Economic Impact Assessment which was completed in September 2012. However, the report considers not only the Waverley but a sister vessel the Balmoral which operated in the Clyde in 2007 and 2008. The collective net economic contribution of these vessels to Scotland over the period 2007 to 2011 was estimated at £3.1m per annum; it should be noted this accounts for all expenditure including on-board the vessels, accommodation, food and drink, shopping, transport and entertainment.
- 3.15 It should also be noted that the Balmoral will now operate under a separate company trading in England only and does not form part of this funding request.

- 3.16 At our request, additional assessments were made to understand the economic impacts on our own regions. The headline estimations for Argyll and Bute for the period 2010 – 2012 are as follows;
- Average Passenger Numbers – 26,173
 - This accounts for approximately 42% of total for Scotland
 - Net Economic Contribution – £1,310,586 (42% of £3.1m)
- 3.17 Whilst Council officers are satisfied with the methodology, it must be understood that assumptions are inferred and that the figures above are calculated by the application of a standard Scottish Tourism Multiplier (1992 study) and therefore the headline figure should only be viewed as wholly indicative. Nonetheless, even allowing 20% for error, it is assumed that the economic benefit of the Waverley to Argyll and Bute is significant.
- 3.18 In respect of the social and cultural capital worth of the Waverley, it has not been possible to calculate this and thus may be considered a subjective matter. However, as part of the Economic Impact Assessment, research was undertaken with passengers to better understand, amongst other things, the reason for sailing on the Waverley. The report concludes that over 50% of those surveyed cited the Waverley as being the only reason they were in the area i.e. destination. This possibly indicates a high cultural worth specifically for the Waverley.
- 3.19 In respect of community benefits going forward, WEL have suggested that local authorities that provide financial assistance will benefit from a free place for every child in the Council area. Another suggestion is the use of the Waverley for educational purposes. How this would be done remains to be discussed.
- 3.20 Whilst the funding package is to allow WEL to focus on growing the business, they are clear that the Waverley will never be self-supporting unless fuel and legislative costs reduce dramatically. Assuming that these costs follow current trends, it cannot be assumed that WEL will not approach the Council for further funding beyond the financial year 2015 – 16.
- 3.21 Assuming that the Waverley is not financially sustainable by 2015 consideration must then be given to the possibility of the Waverley taken out of service and permanently berthed as a visitor attraction or alternative use.
- 3.22 If the Council is minded to support this grant funding request, it is requested that a supplementary estimate of £20,000 is to be funded from the General Fund Reserve for 2013-14 and the contributions for 2014-15 and 2015-16 totalling £25,000 are earmarked in the General Fund Reserve.

4.0 CONCLUSION

- 4.1 The Waverley Paddle Steamer undoubtedly remains in the affections of many people as evidence by the high number of passengers who sail on what is a unique visitor attraction. However, by their own admission, WEL considers that the nature of their business and the high cost of maintaining and operating the vessel means complete sustainability is extremely difficult.
- 4.2 Should the local authorities collectively agree to a 3 year funding plan, this allows WEL the opportunity to focus on growing the business in the security that grant funding is secured for a longer period.
- 4.3 Nonetheless, such are the challenges of generating sufficient income and making continued efficiency savings, it should be noted that there is a likelihood that creating a sustainable business as the Waverley currently operates may be impossible, and therefore members should be alive to the prospect of future requests for funding or for the Waverley to be taken out of commission.

5.0 IMPLICATIONS

- 5.1 Policy: Within the Corporate Plan, a corporate objective is to improve the potential of our area including contributing to an environment where existing and new business can succeed.
- Within the Economic Development Action Plan a key outcome is to move the tourism industry up the value chain, extend season and improve profile and propositions.
- 5.2 Financial: £45,000 to be met through the General Fund Reserve phased over the 3 year financial period 2013 – 2016.
- 5.3 Legal: None
- 5.4 HR: None
- 5.5 Equalities: None
- 5.6 Risk: Risk that other partner local authorities do not agree to provide grant funding.
- Risk that strategy to develop a more sustainable business model is unsuccessful.
- Risk that failure to secure sufficient funding for current period may result in Waverley taken out of service.

5.7 Customer Service None

6.0 APPENDICES

6.1 None

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