
PIERS & HARBOURS FEES AND CHARGES - 2018/19

1.0 EXECUTIVE SUMMARY

- 1.1 It was agreed at a previous Harbour Board meeting that the structure of charging at the Council's piers and harbours should be in line with the decisions agreed at the August 2016 meeting.
- 1.2 The most recent version of the asset management plan was presented to Members at the last Harbour Board meeting in September 2017. Likely costs, attributable to works currently planned for year 2 (2018 to 2019), are expected to be £3,750,000. In order to generate sufficient funds in year 2, to meet capital borrowing costs, it has been estimated that fees and charges will require to be increased by 6% overall -
- 1.3 It is proposed that new charges are implemented for the following:-
- Car and pedestrian marshalling (Rothesay and Dunoon)
 - charge - £122.00 per day
 - Freight service (Rothesay Harbour)
 - charge - £12.00 per load
 - Use of link-span for non-vehicular traffic
 - charge - £35.00 per use
 - Lay-up at a non-ferry berth - normal charges to apply
 - as listed in Council's advertised fees and charges leaflet.
 - Currently £0.0957 per gross registered tonne – subject to increase.
 - Rope-handling for ferries where additional resources are required
 - as listed in Council's advertised fees and charges leaflet.
 - Currently £118.05 per time – subject to increase.
 - Slipway landing fee
 - Charge - £5 per use.
 - Cruise ship calls (anchoring and ferrying-in passengers)
 - Charge £500 per call.
- 1.4 As previously agreed, in order to fund the various works identified in the Asset Management Plan in future years, it will be necessary to increase fees and charges, over and above any required inflationary increase, on a year-on-year basis. Annual increases are expected to be in the order of 2 to 10%, depending upon works identified for that particularly year (plus any inflationary increase).
- 1.5 Members are asked to recommend to the Council, when setting fees and charges for 2018/19, that it approves a) the increase in all fees and charges, over and above any inflationary increase, by 3% to generate sufficient income to develop the

Council's marine infrastructure and b) the variation of charges as outlined in section 5.1 of this report. This will be in-step with the decision agreed at the August 2016 Harbour Board meeting to set charges that meet both the asset sustainability costs and future improvement costs associated with the piers and harbours which the Council has a responsibility for.

- 1.6 A copy of the proposed fees and charges spreadsheet for 2018/19 is attached to the appendix of this report.



PIERS & HARBOUR FEES AND CHARGES – 2018/19

2.0 INTRODUCTION

2.1 This report provides Members with details of the proposed increase in Piers & Harbours fees and charges; it refers back to the last report on the subject, approved at the November 2016 meeting of the Harbour Board.

3.0 RECOMMENDATIONS

3.1 Members are asked to

- recommend to the Council, when setting fees and charges for 2018/19, that it approves a) the increase in all fees and charges, over and above any inflationary increase, by 3% to generate sufficient income to develop the Council's marine infrastructure and b) the variation of charges as outlined in section 5.1 of this report.
- Note that this will be in-step with the decision agreed at the August 2016 Harbour Board meeting to set charges that meet both the asset sustainability costs and future improvement costs associated with the piers and harbours which the Council has a responsibility for.

4.0 BACKGROUND

4.1 It was agreed at a previous Harbour Board meeting that a review of the Council's Piers and Harbours fees and charges would be carried out. Members have agreed that the structure of charging at our piers and harbours should be in line with decisions agreed at the August 2016 Harbour Board meeting i.e. 'that in future pier/harbour dues should be set as a minimum at a level which will cover operating and staffing costs; inspection, maintenance and whole life asset management costs; any prudential borrowing costs required to fund shoreside infrastructure associated with the future ferry services'.

4.2 It has been highlighted in previous reports, in line with the decisions agreed, that fees and charges will be set at a level which ensures that income generated at each of the Council's main ferry ports covers total costs for each individual port plus a contribution to central costs. Charges will be applied for any additional services provided at ferry ports, as the provision of these services, quite clearly, requires resourcing by Council employees i.e. the staffing levels at different harbours are, to a large extent, determined by the services provided at the harbour.

- 4.3** Historically, costs relating to borrowing for capital projects were not directly attributed to Piers and Harbours. In future, costs attributable to the repayment of capital loans will be funded through income received from Piers and Harbours fees and charges; this will apply to both outstanding and future loans.

5.0 DETAIL

- 5.1** As mentioned in 4.2 above, in future, there will be a charge for providing additional services at our facilities which is proportionate to the cost of providing those services. It is therefore proposed that new charges are implemented for the following:-

- Car and pedestrian marshalling (Rothesay and Dunoon)
 - charge - £122.00 per day
- Freight service (Rothesay Harbour)
 - charge - £12.00 per load
- Use of link-span for non-vehicular traffic
 - charge - £35.00 per use
- Lay-up at a non-ferry berth - normal charges to apply
 - as listed in Council's advertised fees and charges leaflet.
 - Currently £0.0957 per gross registered tonne – subject to increase.
- Rope-handling for ferries where additional resources are required*
 - as listed in Council's advertised fees and charges leaflet.
 - Currently £118.05 per time – subject to increase.
- Slipway landing fee
 - Charge - £5 per use.
- Cruise ship calls (anchoring and ferrying-in passengers)
 - Charge £500 per call.

* A charge will be applied for rope-handling services for ferries where there is a requirement to hire-in additional staff to facilitate this service – this is currently a seasonal requirement at Dunoon. Although a rope-handling charge already exists, it has historically not been charged to ferries. Applying separate charges for additional services recognises differing costs incurred at each harbour associated with staffing.

In addition, it is proposed to increase all fees and charges, over and above any inflationary increase, by 3% to generate sufficient income to develop the Council's marine infrastructure and cover outstanding loans charges – see revised fees and charges for 2018/19 in the appendix to this report.

- 5.2** The first draft of the Council's marine asset management plan was presented to Members at the November 2016 meeting of the Harbour Board. The plan has been further developed to indicate the likely capital spend profile over the next ten years or so. The plan will be regularly updated to reflect the condition of the asset, any related works required, and our aspirations to develop the asset in future years. The asset management plan will be the subject of regular reports to the Harbour Board.
- 5.3** The most recent version of the asset management plan was presented to Members at the last Harbour Board meeting in September 2017. Overall, asset management

costs for the 10 year plan are expected to be circa £65 million. Likely costs, attributable to works currently planned for year 2, are expected to be £3,750,000.

- 5.4** The calculation for this year's increase in fees and charges, over and above any inflationary increase, has therefore taken into account the following key points:-
- Variations to fees and charges – as outlined in para. 5.1 above.
 - Savings identified to meet the cost of outstanding capital loans charges as referenced in paragraph 4.3 above.
 - Capital borrowing costs attributable to the asset management plan.

In order to generate sufficient funds in year 2 (year 2018/2019) it has been estimated that fees and charges will require to be increased by 3% overall.

- 5.5** It is proposed that the Council's piers and harbours fees and charges be amended for year 2018/2019 to reflect the above increase (including any increase to cover inflationary costs) – the overall increase to be approved at the full Council budgetary meeting in February 2018.

- 5.6** As previously agreed, in order to fund the various works identified in the Asset Management Plan in future years, it will be necessary to increase fees and charges, over and above any required inflationary increase, on a year-on-year basis. Annual increases are expected to be in the order of 2 to 10%, depending upon works identified for that particular year (plus any inflationary increase). Council fees and charges will not be adjusted for individual piers or harbours, however, net income/expenditure for each facility will balance overall. At those piers and harbours where major works have been carried out over the last few years, such as Bruichladdich, Campbeltown, Carradale, Dunoon, Port Askaig, Rothesay, Feolin and Taylinloan, capital loan charges are significant. The 10 year asset management plan lists all 39 piers and harbours and provides information on programmed future investment – capital borrowing costs for individual schemes, listed in the asset management plan, will be substantial over forthcoming years; charging these costs to individual harbours would lead to extreme spikes in their expenditure, therefore capital borrowing costs will be accounted for within central marine operations costs and allocated across the network accordingly.

- 5.7** Expenditure and income for individual ports will, of course vary however all major harbours providing services to year round ferries (e.g. Dunoon, Craignure, Rothesay) are projected to cover their expenditure from the income earned at that facility.

- 5.8** As mentioned in previous reports, once the outcome of the current tendering process for the Gourock to Dunoon service is known, the type of service provision and use of buildings at Dunoon ferry terminal can be reviewed. It should be noted that the group known as the 'Dunoon–Gourock Ferry Action Group' (DGFAG) takes the view that, where income generated at a Council port is less than the expenditure for that same port, charges should be increased to ensure that all costs are covered. Notwithstanding the statement in 5.6 above, the application of the variation in fees and charges, as outlined in this report, (i.e. the introduction of new or existing fees for the provision of additional services) addresses these concerns, with Dunoon expected to make a nominal net income of £42,000.

6.0 CONCLUSION

6.1 The proposed fees and charges increase is required to fund future asset sustainability and improvement costs for the Council's piers and harbours.

7.0 IMPLICATIONS

7.1	Policy	None directly arising from this report
7.2	Financial	The proposed increase of fees and charges will ensure that future income is sufficient to maintain and develop the Council's marine assets.
7.3	Legal	Considered to be none directly arising from this report – although specialist legal advice has been sought.
7.4	HR	None
7.5	Equalities	None
7.6	Risk	Above inflation increases may have a detrimental economic impact on businesses using the facilities e.g. fishermen, bulk oil importers, timber exporters, wind farm developers and cruise companies. Significant increases may also reduce usage and customers while making attracting new business more difficult.
7.7	Customer Services	Customers and key stakeholders will be informed of fees and charges set when agreed.

APPENDIX – Proposed new fees and charges 18/19.

Executive Director of Development and Infrastructure: Pippa Milne

Head of Roads & Amenity Services: Jim Smith

Policy Lead: Councillor Roderick McCuish

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For further information contact: Stewart Clark, Marine Operations Manager

Tel: 01546 604893