

## WEYMOUTH HARBOUR BUSINESS UPDATE

(Brief prepared by K Howorth, Weymouth Harbour Master, 12th June 2017)

### **AIM OF THE REPORT**

1. The aim of this report is to cover the steps taken so far to mitigate the reduction of the harbour income from 2015 and to strive for a balanced revenue budget. It also provides some of the intended further actions going forward to drive income up and costs down. This report presents background information, income opportunities from current business and suggestions for new income streams.

### **PART A: BACKGROUND**

2. On 24th March 2015 Condor Ferries ran their final high speed ferry trip from Weymouth to the Channel Islands before moving their operations to Poole. The withdrawal from Weymouth took up to 6 months, final date 30<sup>th</sup> October 2015, whilst suitable accommodation was prepared in Poole.

3. The loss of Condor Ferries from Weymouth has had a significant impact on the Harbour Budget with a reduction of approx. £600K - £750K income from an overall figure of £1.8M.

4. The Business Plan for Weymouth Harbour, 2014 – 2019 still provides a considerable amount of background information and indeed recommendations that are relevant today. The financial plan within it though is now out of date due to the significant loss in income.

5. There are no longer any interest parties in running a cross-Channel commercial ferry operation from Weymouth therefore some of the ferry terminal area will be developed as part of a wider leisure development of the Peninsula. This is a complex challenge of meeting the needs of a working harbour in the future whilst maximising the development potential of some of the land areas around the town.

### **Harbour Revenue Budget**

6. The presentation of the harbour budget uses standard corporate headings with additional specific items which are:-

**Expenditure** (\*% of 2016/17 expenditure of £1.518M):

<b>Heading</b>	<b>*%</b>	<b>Description</b>
Employees	25.3	All costs relating to staffing including basic pay, National Insurance, superannuation and training.
Premises	24.0	Utility costs, rates and maintenance.
Transport	<0.1	Mileage allowances and the cost of the fuel for boats etc.
Supplies & Services	6.4	Insurance, contracts and other supplies such as advertising, equipment, subscriptions and protective clothing.

No.3 Berth Repayment	11.9	Payment for loan to complete repair.
Service Recharges	14.8	Contribution to the costs of services provided by Partnership.
Asset Management Improvements	17.6	In year spending for maintenance of assets in a 25-year plan. Varies yearly.

**Income** (\*% of 2016/17 income of £1.187M):

<b>Heading</b>	<b>*%</b>	<b>Description</b>
Commercial Activities	14.5	Income relating to pilotage, annual commercial berths, visiting commercial vessels and visiting fishing vessels.
Leisure Activities	63.0	Marina berths, visiting yachts, use of slipway and PWC permits.
Rents and Licences	18.9	Income relating to rental of property, boat and operating licences.
Recoverables	3.7	Where recharges are made to lease and licence holders for energy. Also includes electricity charged to annual berth holders and visiting vessels.

### **Return of Condor Ferries**

7. 2 meetings with the Chief Executive, Condor Ferries in 2016 confirmed that there were no plans for Condor to return to Weymouth in any of their scenarios for future plans.

### **High Speed Ferries**

8. High Speed Ferries approached the harbour with a project to operate a high speed ferry from Weymouth to Cherbourg using the existing ferry facility. After considerable work and negotiation, HSF were unable to raise the start-up capital and so the Partnership's involvement ended in late summer 2016. HSF had contributed over £100K to cover some of the costs of holding the facility available for their use. This helped sustain some of the Port Staff contracts. The extension of Condor's withdrawal to late 2015 also contributed to the harbour income.

### **Marinas' Layout**

9. The Weymouth & Portland Borough Council Inner Harbour marina berths were constructed in the late 1990's to accommodate the locals' small boats at a relatively cheap price. It was intended that the Dean and Reddyhoff marina, developed at the same time and part of a mutual agreement with the Council, would have the larger vessels and visiting vessels wanting a pontoon finger berth. There are, as a consequence of this logic, significant restrictions in what can be achieved with the current infrastructure and dredged levels in the North Quay and Westwey Road marinas. Small pontoon fingers and the spacing between pontoon arms do not cater for the 10 – 12m length, 2m draught sailing vessel that is popular today. It is important that any ways to maximise use of the Inner Harbour berths are continually

reviewed and to reduce any waiting lists. Dredging may allow increased vessel sizes in certain berths but the opportunities are limited.

## **PART B: MAINTAINING AND GROWING CURRENT BUSINESS**

10. Harbours and marinas along the South Coast have experienced reduced levels of trade by up to 10% over the last 2 years, both in terms of permanent moorings occupied and number of visiting vessel nights. This is believed to be linked to the financial climate. A proactive advertising campaign, along with the associated loyalty scheme, has helped to reverse the downward trend in business in Weymouth. The harbour staff has had displays annually for 3 years at Portland Marina's Fish and Ships, Beaulieu Boat Jumble and Poole Boat Show to try to attract increased levels of business. The success of the year is also governed by the weather with for instance the season seeming to finish early in summer 2015 with persistent gales in August.

11. Careful consideration has been given to the pricing policy over the last 3 years by comparing prices along the South Coast and also locally with Dean and Reddyhoff. A compromise has been made between increasing prices to generate more income and by keeping price increases low or even nil in order to attract volume. There is considerable price sensitivity here. Leisure and commercial prices have been considered separately each year. The scale of charges has also been reviewed each year to try to simplify them but see below for further detail.

12. Locally there is strong competition between Weymouth Marina, Portland Marina and Weymouth Harbour both for permanent moorings and visitors. Customers will swap between the three depending on the deals offered and also the level of facilities and service. It is therefore necessary to invest in infrastructure to continue to be attractive and competitive.

13. Investment has been made in pontoons over the last 3 years to replace those that have served long beyond their expected life but also to replace some of the wood on pontoons in order to extend the life of the current infrastructure. This programme of work is not yet completed but the effort to date has provided a facility that is more inviting to customers. Some external funding has been received from the MMO (£6,720.30).

14. Year end predictions for annual moorings are looking more favourable at the start of the 2017 season with 15 more annual berth-holders than at the same time in the previous year. The year end prediction for visiting yachts in 2016/17 marginally exceeded budget expectations. April 2017 generated a 30% increase in visitor numbers compared to 2016, which was partly due to the timing of Easter.

15. The end of year figures for 31<sup>st</sup> March 2017 are:

<b>Visiting Yachts Figures Until End March 2017</b>		
	2015/16 (£)	2016/17 (£)
No Visitor Nights	5249	5064
% variance compared to 2015/16		-3.52

% variance on 3 year average		-3
Short Stay	109	127
No FOC given on loyalty discount scheme	264	328
No FOC on existing 4 for 3 scheme	111	80
Income banked	£ 137,919	£ 138,305

<b>Annual Berth-holders at End March 2017</b>		
<b>Berth Occupancy</b>	<b>Occupied</b>	<b>Maximum</b>
Inner Harbour Marinas	282	409
Chain and Sinker Moorings	27	30
Commercial Berths	82	99

### **Scale of Charges**

16. The charges are set from significant historical precedent which included the approach that the Council moorings were for small boats or commercial vessels at affordable prices for locals. Any full review of the basic structure of harbour dues and fees would be a substantial piece of work and could lead to considerable change to be consulted but may not lead to significant new income. This subject can be looked at in more detail as part of the long term plan for the harbour.

### **New Berths**

17. In 2015 5 new large 15m berths were created. These have now been occupied as there is generally a lead time to occupancy as people finish an earlier contract before moving, with changes typically being at the start of the season.

18. In March 2017, 4 new small commercial fingers have been added to the pontoons outside the Angling Club. 2 have already been occupied and hopefully the remaining 2 will also be taken soon.

### **Advertising**

19. A formal marketing strategy is being written but in the meantime a programme has been locally managed to try to maintain current customer levels and increase new business and income. The dominance of the ferry operation has meant that there has been only minimal promotional activity in the past. The Communications and Visit- Dorset Teams are aware of the need for support and are engaged in helping. The advertising has recently been broadened to include workboats' literature with the hope of attracting some new business from transiting commercial boats as a stopover port. This would put the berths in the commercial area to further use. The advertising is focused on visitors (commercial and leisure), annual leisure berth-holders and new initiatives.

20. The following publications, sites and marketing tools have been targeted in the last year:

#### **Advertising (visitors and annual berth-holders):**

- Marina stories - All at Sea as/when required – March/Monthly
- ½ page advert Practical Boat Owner Marina Guide – April
- ½ page advert Sailing Today – June
- ¼ page advert Cruising Association - June
- 3 ½ page adverts All at Sea – June/July & August
- ½ page advert Practical Boat Owner summer edition - July
- Full page advert Southampton Boat Show Guide - September
- ½ page advert All at Sea Southampton Boat Show edition – September
- ½ page advert Sailing Today - October
- Full page Yachting World Annual Yearbook – December
- Full page advert National Workboat Association Members Booklet – January 2017
- ¼ page advert Powerboat & Rib London Boat Snow edition – January 2017
- Full page advert in Poole Harbour Marina Guide – January 2017

### **Social Media:**

- Harbour Facebook page has 3,201 likes with 3,138 people followers.
- Daily Facebook posts/sharing/interaction with other pages/organisations/followers
- Sharing harbour news/posts on Visit Dorset twitter accounts (@Visit\_Dorset and @DorsetTourism)
- Weekly (or more) news updates on [www.weymouth-harbour.co.uk](http://www.weymouth-harbour.co.uk) (website visitor statistics recorded monthly – 3679 users in May 17)
- Monthly E-Newsletter to database of over 1000 readers.

### **Exhibitions:**

- Portland Fish n Ships - April
- Beaulieu Boat Jumble - April
- Poole Boat Show - May

### **Offers:**

- Pocket Guide Loyalty Card
- Short Stay Loyalty Scheme
- Distribution of Harbour Guides upon requests

### **Parking**

21. The lack of suitable parking remains the largest factor for discouraging annual customers to berth with us. Boat-owners transfer a lot of kit for their activities. Weymouth Marina has dedicated parking. This problem will potentially get worse as parking spaces are removed from North Quay and perhaps in due course with any Town Centre Masterplan developments.

22. A scheme was introduced last year using the ex-Condor Ferries staff car park for berth-holders parking on the Peninsula. Unfortunately it is considered too far from the berths, so has not been very popular.

23. In April 2017 it has been agreed that annual marina berth-holders may purchase a Weymouth parking season ticket at 50% of the price. This discount has now been advertised and will hopefully help in future seasons' renewals and with potential new customers. An alternative arrangement to mitigate the closure of the North Quay Council Office Car Parks will need to be found.

### **Voluntary Clubs**

24. There is ongoing work to support and rationalise the arrangements, leases and operating procedures with the voluntary clubs and organisations on the south side of the harbour (Weymouth Sailing Club, Gig Rowing Club, Sea Cadets Sail Training Centre and Weymouth Outdoor Education Centre). The voluntary sector clubs should be recognised as a growth area in the harbour with access to funds such as Lottery Funding etc. to secure investment. The clubs are looking to invest in their facilities with proposals to introduce Sailing Club pontoons in the Cove and for the Rowing Club to expand their premises to meet the needs of the growing interest in the sport.

### **Port Staff**

25. In March 2016 staff numbers have been reduced by 3 FTE in the Ferry Port due to the Condor Ferries departure and the High Speed Ferries proposal not coming to fruition. The staff levels (14 people generating 11.9 FTE) are now at the minimum to safely maintain the operation and service of both the inner and outer harbours in its current configuration.

26. The 3 remaining Port staff are fully integrated in the harbour staff to deliver safely a 365 days of the year operation in a harsh environment with many unknowns on every day of the operation. The former Restricted Area was not only used as a ferry port as there were other visitors and licensed berths within the area. In 2016 - 17 almost £25K was generated by the Restricted Area and it is intended to grow. The Port staff augment the main harbour operation to complete tasks that would otherwise need to be completed by contractors at a considerably greater cost. The nature of the operation is such that there also needs to be some spare capacity to be able to cope with emergencies, equipment failures, accidents, sickness etc. Lone working considerations also necessitate manning levels for rota implementation.

### **Programme of Improvement Works & Response Maintenance**

27. Progress has been made since 2013 to improve the harbour infrastructure so that there is an enhanced experience for customers and less need to deal with expensive ad hoc or emergency repairs. This also helps to minimise any safety risks. There is a concerted effort to try to rectify the condition of the infrastructure. The response maintenance budget is looking healthier due to the planned programme of maintenance, reducing the need for unexpected defect rectification.

28. The Rolling Programme of Works newly drawn up in 2013 is based on a principle of investing small amounts of money in successive years to pay for items when they are due for replacement. Some of the costs in the harbour infrastructure are considerable. 2016 -17 was the 3<sup>rd</sup> year of application and so there is an apparent build up of reserves. Protection of the asset management plan is essential for both maintaining a safe environment but also to ensure there is continued support from the harbour users, who contribute with significant fees and expect an acceptable level of service and investment.

29. In 2016/17 the contribution to the Rolling Programme of Works was reduced by £200K to £60K because of the need to set a balanced budget, which would impact on future years' requirement due to the reduced reserve requiring greater funding to be found. Fortunately an end of year surplus which was more successful than anticipated due to new income sources has allowed reinvestment back in to the Programme, reducing the impact on future contributions.

30. The harbour will play an important role in the progression of the Town Centre Masterplan and decisions by the Council on the future of the harbour will need to be taken in this context. The harbour is a considerable asset to the Town.

### **Rental of Buildings**

31. Some of the buildings have been let at the Ferry Terminal from late 2016 and a small income (£6,800) will be seen in the harbour budget for 2016/17, becoming more favourable in future years. To date the ground floor of the Terminal Building comprising the check-in and café area and D Shed have been let. There is ongoing work to attract further tenants. Occupancy will help towards rate payments although the age and condition of the buildings may impact on profit margins.

### **Rates Re-assessments**

32. Re-assessments for rates for the ferry terminal buildings, led by the harbour staff, were completed in June 2016 and the new figures are shown to be favourable. Additionally work to review the Harbour's undertaking rates assessment is favourable and is estimated to be a refund in the region of £60K, which is expected in fiscal year 2017/18.

## **PART C: NEW WAYS OF WORKING**

### **Transfer of Land and Buildings**

33. The responsibility for much of the land and buildings on the Peninsula has been managed by the Harbour Management Board as harbour assets. It is proposed that some of the harbour land and buildings on the Peninsula currently managed by the HMB will be transferred to the Assets & Infrastructure Team for interim management. This will reduce some of the overheads and also start the transition to the Peninsula development.

### **New Electricity System**

34. At the close of 2016, an opportunity was taken at the end of the life of the energy management system on the pontoons to introduce a new system for annual berth holders. A replacement solution was found and successfully installed. This is a card based system with customers buying credit on their cards at the Harbour Office. It is a 'spend to save' as historically the system was difficult to manage and customers were often not charged for their electricity due to the burden of proof not being achievable. It was also very labour intensive. The new system additionally covers some commercial berths that have not been subject to a charging regime before due to the lack of appropriate infrastructure. It is hoped the new system will result in administration efficiencies. It is showing great potential to date.

### **Energy Recharges**

35. There have been continued efforts to ensure all end-users are re-charged for energy that they are using. This is being achieved by heightened awareness of the management of consumables and more accurate monitoring and recording. Condor Ferries' departure has also allowed recharges to be reviewed with Property Services to clarify who pays for what, some anomalies have been discovered and corrected. Work continues with regards to monitoring energy usage and an overcharge of gas used at the ferry terminal for instance has resulted in a refund and reduced future bills. An outstanding issue with meter readings in the ferry terminal area is likely to produce a further saving of £10K.

### **General Efficiency and Contract Reviews**

36. A critical look is continually being taken of all the harbour service activities and operations to ensure that they are carried out with the greatest efficiency and with the use of minimal resources.

37. Each of the support or maintenance contracts are likewise reviewed regularly to ensure that over-servicing is not taking place and that the best value is being achieved. Savings have been made at the Ferry Terminal and in other areas around the harbour by delaying or not carrying out work to reflect the current level of activity. An example is the linkspan which is only receiving the minimum servicing to ensure it's safe operation.

### **Fishing and Other Gear Storage**

38. Fishing gear has been stored in the ferry terminal area for years at no charge. Charges have been invoked and this has also helped to rationalise the amount of gear being stored.

39. Some other items belonging to the BID are also being stored for a fee.

40. The Beach and Technical Services teams have some equipment stored in the Port.

### **No.3 Berth Repair Repayment**



41. The 'No 3 berth repair' annual interest repayment of £180,000 will be funded from the savings being achieved elsewhere in the council's corporate budget, rather than the harbour budget with effect from 1<sup>st</sup> April 2017.

### **CCTV and Port Health Costs**

42. Work is continuing to rationalise the allocation of the costs of the Partnership CCTV and Port Health in relation to the corporate budget. The annual saving to the harbour budget is estimated to be £10K annually for CCTV utility costs and less than £5K for Port Health.

### **Grant Funding**

43. When projects are being committed to, any source of grant funding has been considered. A small grant (£6K) was received from the European Fisheries Fund towards the cost of replacing some pontoons because there are fishermen berthed there. Further funding may be available from the Fisheries Local Action Group (FLAG), Coastal Communities Fund etc.

### **Long Term Storage of Boats Ashore**

44. A significant 10% increase in the cost of the long term storage of boats ashore over the winter was made as the costs for the facility were not being covered.

### **IT Systems**

45. A partial on-line annual berth renewal process has been implemented for the first time in March 2017. It is therefore intended to build on this to ultimately achieve full on-line renewals and payments, which improve efficiency and accuracy.

46. The current visitor berth management and payments are all in paper format. The details are then collated on a spreadsheet and manual reconciliation is carried out. This is cumbersome, time consuming and prone to errors. An appropriate e-system would be more efficient and allow other savings to be made.

47. The Harbour Office has been working with the DCP Transformation team to help in this area.

### **Boat on Trailer Storage**

48. In the last few months a 'no frills' storage facility for boats on trailers has been offered in the former Restricted Area. There has been limited business to date but it is hoped that there will be more at the end of the season when boats are stored for the winter.

### **Acquaculture**

49. In April 2017, support has been provided to a new aquaculture enterprise called Scaloptech. The former Restricted Area has been used as a base for delivery of equipment prior to its construction and deployment. There may be some more

potential work of this kind with its' associated income as a consequence of this first trial.

### **Warner Bros. Filming**

50. An opportunity was seized in 2016 for Weymouth Harbour to be the set for the start and finishing scenes of a major Warner Bros. Dunkirk film, which was on location in the summer. This generated an income of approx. £100K for the Partnership relating to the filming and also used many of the ferry terminal buildings and areas. A significant part of the income fell to the harbour. The film is released in July 2017 when it is hoped that the town will be of interest to the viewers and may help to bring new custom to the harbour.

### **Small Passenger Liners**

51. Consideration has been given to attracting small passenger liners to the Port. However the number of vessels that could berth are extremely limited and it would not be cost effective to have the necessary security and support arrangements in place. Portland Port is a much more attractive option for any visiting liner. We will though continue to seek out visiting short-trip passenger vessels which are handled in the former Restricted Area by the Port staff, including Waverley, Balmoral etc. These require good customer care and reactive handling due to weather etc.

### **Harbour Management Board Workshops**

52. 3 Harbour Management Board workshops have been held to discuss the future of the harbour. These have essentially highlighted that a long term strategy needs to be compiled for the harbour. This strategy should contribute to the Town Centre Masterplan work so that the harbour and adjacent land are evolved in harmony for the good of the Town.

### **Future Ownership and Capital Projects**

53. The consideration of new forms of management and involvement of the private sector (eg D&R or other marina management company) should be considered. However the harbour needs to be seen as a 'going concern' hence the capital projects of harbour wall repairs and dredging are important. So we are working hard to address asset management under our control so that we reach this steady state position. Our 5 year financial plan is written with this in mind.

54. Harbour wall repairs and maintenance dredging are outside the scope of the harbour revenue budget and are capital projects for the Partnership. They are key though to the future success of the harbour.

55. The future of the harbour in the light of any local government review will need to be carefully considered.

### **Progress to Date**

56. The final out-turn figures for the end of the last 2 years are:

- 2015/16 – a favourable surplus returned to the Harbour reserve of £264,420.
- 2016/17 – a favourable surplus returned to the Harbour reserve of £361,718 (£108,670 of which is committed to programme of works projects carried forward to 17/18).

## **CONCLUSION**

57. A number of actions have been successfully taken since the departure of Condor and the end of negotiations with a replacement ferry company in order to work towards the delivery of a harbour service at less cost to the Council. It is no longer possible for the harbour to pay a 'contribution' to the corporate budget as it has for a number of years. New actions continue to be taken.

58. External advice is being sought to assist with planning for the long term of Weymouth Harbour, which operates in a changing and competitive environment. A key challenge for the future is to address the capital needs of the harbour while maximising all income raising opportunities.

59. The 5+ year financial plan considered by the Harbour Management Board in November 2016 has already demonstrated that there is not a financial issue for in excess of 5 years with diligent use of the harbour reserves. Therefore the potential for further savings and efficiencies as demonstrated above will only help the position.

## **RECOMMENDATIONS**

60. As covered previously there has been some positive progress but there is still a long journey to achieve the balance budget for the Weymouth Harbour for the future. It is hoped that through the discussion for the development of the long term strategy some further ideas and opportunities will emerge. HMB members and harbour users will all be encouraged to contribute their thoughts.

61. Meanwhile, the following are key actions that need to be continued:

- A long term strategy for the harbour needs to be developed, ideally with the assistance of an independent advisor with municipal port experience.
- The role and status of the harbour needs to be evolved in line with the strategy and in harmony with the developments incorporated in the Town Centre Master Plan work.
- The current drive for efficiency needs to be maintained.
- The Programme of Works needs to be supported.
- Modern systems need to be evolved for harbour management to reduce the current administrative burden.
- Grants and any financial support need to be investigated.
- The future ownership of the harbour needs to be considered both under the local government review and also whether there are any alternative opportunities.