

BRITAIN'S TOP PORT



LERWICK PORT AUTHORITY



STRATEGY AND BUSINESS PLAN

Update 2010/11



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INTRODUCTION

2010/11 is set to be a period of renewed confidence in the overall business of the Port of Lerwick following slower growth in 2009.

This Strategy and Business Plan demonstrates the commitment of Lerwick Port Authority to meet the needs of the maritime industry in Shetland. Challenges lie ahead in several areas including constant downward pressure on fishing effort for the whitefish fleet.

However, Lerwick Port Authority's published Strategy & Business Plan 2008/09 is still very relevant. There have been no changes in the composition of the Board of the Authority and the Mission Statement, Strategic Objectives and Conservancy Plan are unchanged. Also still relevant are the Environmental Plan, the Harbour Infrastructure Plan, and the strategy behind the Investment, Events Management, Marketing, Quality Assurance, Repair and Maintenance and Health & Safety Plans is also unchanged.

The staff numbers contained in the Management and Personnel Plan and the Organisational Structure Appendix are unchanged apart from the additional appointment of a systems administrator.

For 2010/11, this update details the Authority's strategic focus over the period, including the plan of work to be undertaken and groundwork for the future to be laid.





GENERAL

As predicted in the 2008/09 Strategy & Business Plan, Lerwick Harbour experienced a slowing of activity and core income in 2009 after two very busy years in 2007 and 2008. This trend continued for the first half of 2010 before stabilising.

Each of the four main industry sectors operating through the port – oil and gas (including decommissioning); ferries and cargo; fishing and the leisure sector through cruise ships and yachting – remain very important to reduce risks of dependence on any one sector.

As a self-financing business operating commercially, the Authority is pleased to have secured in 2009 longer term bank funding to meet its immediate borrowing requirements and is confident of obtaining additional borrowing to support its future quay development plans.

To fund the capital projects planned over the next few years, all sources of grant funding will be explored to assist in their delivery.

Continuing is the action to recover from Shetland Islands Council the increased costs incurred due to a dredging project in 2005 having to be abandoned and retendered at a later date.

Diversification for the Oil & Gas sector will be pursued with the requirements for Renewable Energy matching the port's existing and future capabilities. The wider harbour area will be assessed for suitability for small scale trial sites for tidal and wave energy projects under Works Licences issued by the Authority. The port infrastructure at Lerwick is ideal for import of onshore renewable energy equipment.

General Activities 2010/11

- Tidal diamond information on navigational charts to be updated
- Assessment of opportunities for Renewable Energy to be made
- Continued marketing of port
- Continued repair and maintenance of fendering systems





OIL AND GAS

With new investment offshore slowing considerably in 2009, there was a contraction in project and subsea work. The most recent major platform decommissioning project in the Northern North Sea was also completed in 2009 with no similar projects forecast for the area until 2013.

With oil & gas being a diminishing resource, the new exploration and production areas are in challenging waters west and north of Shetland. The capability to operate in these deep water areas is met by the latest generation of vessels which are the target market for the recently deepened port of Lerwick.

The announcement by Total of their significant investment in the Laggan and Tormore gas fields west of Shetland and also by BP for developments at Schiehallion and Clair ridge, provide opportunities to support these during their installation phases offshore.

Potential for future decommissioning has been boosted by the announcement of an intention to develop a deep-water decommissioning base at Dales Voe, Lerwick for AF Decom Offshore. Planned is a significant site with deep water capability not matched elsewhere in the UK.



Expansion of lay-down area at Dales Voe.

Oil & Gas Activities 2010/11

- Aim to support offshore subsea installation projects in Northern North Sea and west of Shetland
- Complete expansion of lay-down area at Dales Voe Base – phase 2 commenced 2010
- Build two new 9 metre deep berths at Greenhead
- Improve Greenhead berths 5 & 6 to 9 metres deep
- Develop decommissioning site at Dales Voe, Lerwick



FERRIES AND CARGO

Ferries and cargo remain steady with similar domestic freight tonnage through the port in recent years. Passenger numbers grew in 2009 following a dip in 2007/8, probably then due to the impact of the Air Discount Scheme on airfares.



The tonnage of domestic freight may grow in 2010/ 2011 due to recovery in the farmed salmon sector following disease.

With 60% subsidy to the lifeline ferry operator, any squeeze on government expenditure may be a challenge.

The passenger and freight routes are of vital importance to Shetland and a core function of Lerwick Port Authority is to provide suitable harbour infrastructure for these needs. During 2010, a new berthing dolphin at the main ro/ro berths will be completed, safeguarding this facility for the future.

Ferries & Cargo Activities 2010/11

- Complete berthing dolphin at Holmsgarth
- Continue repair and maintenance of freight marshalling yards



FISHING

Fishing activity at Lerwick continues to fluctuate. Overall, the value of throughput in 2009 held up fairly well.

The white fish sector continues to suffer from limited access due to days-at-sea legislation. As fishermen cannot waste any time at sea, the pattern of landings is affected by the weather and seasonality resulting from the speed at which annual quotas are taken.

The whitefish market at Lerwick was extended for 2009 which was a short-term response to meet the demand on the larger landing days. The electronic auction by Shetland Seafood Auctions continues to be a success, helping to achieve high prices. The whitefish market users look forward to a new market providing a range of improvements.

The seasonal pelagic fishery has to respond to any changes in the timing of mackerel migration in the autumn and winter months.

In 2009, the Authority helped to restructure SFP (Shetland Fish Products) Limited by buying an additional 25% shareholding in the company. The company operates the fishmeal and oil plant at Heogan on Bressay and is now wholly owned locally. The company has changed focus to process mainly by-products available locally from both fish and salmon processors. Formerly, blue whiting had been landed to the plant but a proportion of this fishery is now landed for human consumption.

Fishing Activities 2010/11

- Build quay at Mair's Yard as a site for a new fishmarket, seeking European Fish Funding assistance
- Continue as shareholder supporting Shetland Catch, Shetland Seafood Auctions and SFP (Shetland Fish Products) Limited
- Gain consent for extension of Holmsgarth North Jetty
- Continue capital improvements through access roads and land reclamation
- Continue repairs and maintenance of property and quays
- Seek housekeeping/environmental improvements on quaysides, particularly at Holmsgarth north.



CRUISE SHIPS AND YACHTS

The leisure sector continues to be a growth area.

Cruise Ship numbers and tonnage continue to increase with ships in excess of 100,000 Gross Tonnes now calling at Lerwick.

Visiting yacht numbers have also increased during the summer season and although weather dependant, the upward trend is expected to continue with larger yachts staying longer.

To respond to this increase, the berths in Albert Dock are to be reconfigured during the summer months. The pontoon system used by cruise ship tenders moved to the north side of Victoria Pier. A new yacht pontoon system is planned for Albert wharf to increase the amount of visitor yacht berths.

The Meet and Greet service for cruise passengers will be enhanced with a new reception facility from 2010.

In addition, a new wooden boat deck for junior sail training activities will be built at the Small Boat Harbour for 2011 in cooperation with Lerwick Boating Club. The adjacent seawall will be rebuilt at the same time which also improves amenity in the area.

Leisure Sector Activities 2010/11

- Relocate cruise tender pontoon to Victoria Pier North
- Provide new reception facility for Meet & Greet
- New yacht pontoons at Albert Wharf for 2011 season
- Build new wooden boat deck for junior sailing
- Rebuild south section of seawall at Small Boat Harbour
- Co-host The Tall Ships Races in July 2011





STAKEHOLDER BENEFIT

As a Trust Port, a number of community benefits are undertaken from the profits derived by the Authority. Some of these non-commercial activities for 2010/11 include:–

- Sponsorship of The Tall Ships Races 2011 - £100k
- Amenity aspects of seawall and new boat deck, total investment for second phase £470k
- Sponsorship for Shetland Museum & Archives - £10k
- Cruise ship meet and greet - £6k
- Annual donations/sponsorship – £5k
- Annual sail training sponsorship - £1k
- Support for sailing and pier side events - £2k



Co-sponsored sail trainees.

LERWICK PORT AUTHORITY
CONSOLIDATED PROFIT & LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2011

	2011	2010
	£000	£000
GROUP TURNOVER	9,132	8,429
Cost of sales	<u>(4,810)</u>	<u>(5,251)</u>
GROSS PROFIT	4,322	3,178
Administrative expenses	<u>(809)</u>	<u>(844)</u>
OPERATING PROFIT	3,513	2,334
Investment income	278	111
Interest payable	<u>(494)</u>	<u>(529)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3,297	1,916
Taxation	<u>(993)</u>	<u>(259)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	2,304	1,657
Attributable to minority interest	<u>(19)</u>	<u>(11)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	<u><u>2,285</u></u>	<u><u>1,646</u></u>

LERWICK PORT AUTHORITY
CONSOLIDATED BALANCE SHEET
YEAR ENDED 31 DECEMBER 2011

	2011		2010	
	£000	£000	£000	£000
FIXED ASSETS				
Tangible assets		47,228		44,032
Investments		<u>1,819</u>		<u>1,819</u>
		49,047		45,851
CURRENT ASSETS				
Debtors	2,688		1,497	
Cash at bank and in hand	<u>735</u>		<u>2,280</u>	
	3,423		3,777	
CREDITORS: Amounts falling due within one year	<u>(3,544)</u>		<u>(2,024)</u>	
NET CURRENT (LIABILITIES)/ASSETS		<u>(121)</u>		<u>1,753</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		48,926		47,604
CREDITORS: Amounts falling due after more than one year		(7,936)		(8,686)
PROVISIONS FOR LIABILITIES		(1,225)		(1,165)
DEFERRED INCOME		<u>(6,223)</u>		<u>(6,589)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		33,542		31,164
Pension liability		<u>(2,380)</u>		<u>(2,148)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u>31,162</u>		<u>29,016</u>
CAPITAL AND RESERVES				
Sinking fund		2		2
Savings fund		70		70
Profit and loss account		32,976		30,617
Pension reserve		<u>(2,380)</u>		<u>(2,148)</u>
TOTAL GROUP FUNDS		30,668		28,541
ATTRIBUTABLE TO MINORITY INTEREST		<u>494</u>		<u>475</u>
TOTAL CAPITAL EMPLOYED		<u>31,162</u>		<u>29,016</u>



APPENDIX 1 KEY HARBOUR INFORMATION 2009

Number of vessel arrivals	5,330
Gross tonnage of vessel arrivals	9,186,290
Passengers	143,527
Cargo	823,753 tonnes
Amount of fish landed	70,398 tonnes
Value of fish landed	£60.9M
Number of pilotage jobs	866
Number of properties rented	197
Number of tenants	119
Gross Annual Turnover	£8.3M
Number of staff (Full time equivalent)	46
Size of Harbour (North to South limits)	9 Nautical Miles
Size of Harbour (Inner Harbour)	3 Nautical Miles
Total length of quays	3,495 metres
Maximum depth alongside	12.5 metres

Lerwick Harbour is: -

A 24-hour all weather port with two entrances

Certified to the British Standards BS EN ISO 9001:2000 and BS EN ISO 14001:2004 and operates a fully integrated Quality Assurance and Environmental Management System which is also compliant with the Port Marine Safety code (PMSC).

Fully compliant with the International Ship and Port Facility Security Code (ISPS).

An international Port approved by H.M. Revenue & Customs and UK Border Agency.

Lerwick Port Authority Publications (Approved by Maritime & Coastguard Agency)

Port Waste Management Plan for Port of Lerwick

Oil Spill Contingency Plan for Port of Lerwick



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Port Control

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DALES VOE BASE

SHETLAND ISLANDS
COUNCIL INCINERATOR
WASTE-TO-ENERGY PLANT

SCOMI OILTOOLS
RECYCLING PLANT
OFFSHORE DRILL CUTTINGS

PETERSON-SBS
GREENHEAD BASE

DREDGED TO 9.0m

SHETLAND CATCH
GREMISTA QUAY
FISH PROCESSING

DREDGED TO 9.0m

HEOGAN FISHMEAL
& OIL FACTORY
FISH PROCESSING

BRESSAY

NORTH
HARBOUR

HOLMSGARTH
JETTY

FISHING BOAT QUAY

HOLMSGARTH QUAY

RO-RO TERMINAL - NORTHLINK
CARGO JETTY
BUNKERING

MORRISON DOCK

FISHING
BOAT QUAY

SHEARER'S QUAY

STREAMLINE
CARGO JETTY
ICE PLANT

HAY'S WHARF

CARGO JETTY

LAURENSON QUAY

BUNKERING
SHIP REPAIR
FISHMARKET

ALEXANDRA WHARF

FISHING BOAT QUAY

LERWICK PORT AUTHORITY

ALBERT WHARF

VICTORIA PIER

SMALL DOCK

YACHT PONTOON

LIFEBOAT STATION

FERRY TO BRESSAY

MARYFIELD
FERRY TERMINAL

LERWICK

BRESSAY SOUND

SOUTH
HARBOUR

COASTGUARD
STATION

BREI WICK

The Knab