

ITEM

ITEM

Salcombe Harbour Board – 24 October 2006

REVIEW OF CHARGES

Report of the Salcombe Harbour Master

**Statutory Powers: Local Government Act 1972, Section 151
The Pier and Harbour Order (Salcombe) Confirmation Act 1954
(Sections 22-36)**

Financial Implications

1. The proposed budget for 2007/08 identifies a funding gap of £34,400.

Purpose

2. This report has been prepared to enable Board Members to set the Harbour rates and charges for 2007/2008. The review of charges is fundamental to the operation of the Harbour and directly supports the Council's Priority to deliver value for money and indirectly supports good jobs, retention of the districts character and a clean district.

RECOMMENDATION

- a. **That the Board RESOLVES to agree the changes to the charging policy set out in paragraph 17, and amend the Salcombe Harbour Policy Document accordingly,**
- b. **That Council be RECOMMENDED to approve the proposed charges in Annex A, for implementation from 1 April 2007.**

Introduction

3. A sub committee of the Harbour Board was established to consider fees and charges for the 2007/08 season. This committee met on two occasions and quickly came to the conclusion that there is no quick way to resolve the complicated and often historical logic of how the charges have been set and evolved over the years. This, coupled to the requirement to set the charges by mid November, has driven the review process down a more conventional and uncontroversial route for the forthcoming financial year.
4. There was a consensus that a complete review would be required for the 2008/09 season which would be tied into the new harbour board's strategic business plan. Therefore, for 2007/08, a small selection of harbour service categories would be considered in conjunction with an across the board increase in line with inflation.

General Factors

5. Visiting yacht numbers fell from 7,061 in 2004 to 5,414 in 2005 and recovered a little to 6,320¹ in 2006, however visiting yacht nights have declined steadily from 11,143 in 2004 to 9,496 in 2006.
 - a. These figures suggest that there is a downward trend in the number of yachts visiting Salcombe and those who do come are staying for shorter periods.
 - b. There could be many reasons why numbers visiting are down, feedback is that it is directly linked to their perception of the value for money they receive in Salcombe.
 - c. Salcombe is the most expensive harbour in the West Country, but facilities are the most basic. Salcombe offers the prospect of rafting to a buoy or the visitor's pontoon not connected to the shore and utilities that are limited to fresh water and refuse receptacles.
 - d. Satisfaction levels amongst visitors are generally fine when the weather is good. However, during periods of poor weather when the delights of the beach would be replaced by the comfort of a hot shower, customer satisfaction quickly changes to dissatisfaction.
 - e. Visitors' facilities are considered to represent poor value for money.
6. Despite numbers being down income has increased steadily from £656,598 in 2004 to £689,161 in 2005 to £708,625 in 2006².
 - a. Increased income has been maintained by regular increases in charges and the trend for fewer, but larger boats visiting.
 - b. Generally the larger boats are self contained for up to a week for water and provisions, negating the requirement to rely on shore facilities and shops.
 - c. The section of the market share that has been lost is the smaller family cruising yacht of 10-12 metres and the local sailors from Plymouth, the Yealm, Dartmouth and Torbay. This is particularly apparent during the shoulders of the season between Easter and July and in September.
7. Water taxi usage has declined significantly this season with income down from £37,607 in 2005 to £31,047 in 2006.
 - a. The water taxi has considerably increased the safety for yachtsmen, particularly late at night.
 - b. For a boat with a large crew the water taxi very rapidly becomes an expensive and often unaffordable option.

¹ Up to end of September.

² Up to end of September comprising £498k from residents, £145k from visitors, £31k from taxi and £34k for the crime prevention security contract.

8. Waiting lists for all categories of harbour facility remain full.
 - a. The Harbour Authority's facilities remain in high demand from residents.
 - b. Resident's facilities are considered to represent excellent value for money³.

Analysis of service categories considered for change

9. **Business Moorings:** Facilities rented from SHA by businesses were seen as an area where local businesses were making a handsome profit. Within the business mooring category there are a number of different categories of business:
 - a. **Moorings that support boatyards:** There are at least nineteen different boatyard businesses that rent a variety of facilities from SHA including pontoon and foreshore moorings. These businesses provide a wide and diverse range of services with varying degrees of value added to their customers. The range is from simply renting the facility at a marked up rate to a complete service which includes the initial sale plus launching, recovering, servicing, cleaning and storage of the customer's boats. Because of the wide range and variety of uses and services these moorings provide, it has proven impossible in the time available to develop a comprehensive pricing strategy that would cover all the different eventualities. However it is fair to say that without the moorings the boatyard businesses would not exist. They only survive because they can offer moorings to potential customers. Further investigation is required for 2008/09, however a 50%⁴ levy for boatyard moorings could be considered for 2007 as an interim measure, and an indication of intent to explore this subject further in the future.
 - b. **Trip Boats:** There are at least fourteen SHA moorings rented to companies that provide diving, fishing and sight seeing tours. These companies require the mooring to support their business and pay the same rate as any other customer, which seems to be reasonable and fair.
 - c. **Boat Hire Businesses:** There are eight boat hire businesses that utilise a small number of harbour moorings to secure their boats. These companies require the mooring to support their business and pay the same rate as any other customer, which seems to be reasonable and fair.
 - d. **Fishing Boats:** There are currently eighteen fishing boats of varying sizes that rent a variety of deep water and foreshore moorings. The fishermen require the mooring to support their business and pay the same rate as any other customer, which seems to be reasonable and fair. Fishermen pay a standard rate for store boxes.
 - e. **House Boats:** House boats have been a topical issue over the past months, following the arrival of the first two replacement vessels. House boats attract harbour dues at double the rate of normal vessels and a deep water mooring charge commensurate with its length. As the new vessels are the most environmentally friendly vessels in the harbour further specific increased charges seem unreasonable.

³ In 2006 a pontoon berth at Batson would cost £147 from SHA and £848 from a local boatyard.

⁴ This measure would generate in excess of £10.5k/year.

10. **Pontoon Berths:** Although all but a very small proportion of the pontoon berths dry at low water⁵ and are for small vessels, they represent the closest thing to a marina berth that Salcombe can offer. They have walk on access and are extremely popular with waiting times for a berth on Victoria Quay being up to 20 years, Batson and Shadycombe being 8 to 10 years and Kingsbridge Pontoon 3 to 4 years. Furthermore with local boatyards charging approximately 575% more than SHA for the same facility, there is clearly potential for an increase in the service charges. It is therefore proposed that the charges for the pontoons at Batson, Victoria Quay and Shadycombe be increased by 25% and those at Kingsbridge by 15%⁶. For the majority of boat owners utilising these facilities this represents an increase of £37 and would generate an additional £17,241/year. This level of income generation will be required to fund replacement pontoons, which will be required in the medium time frame.
11. **Whitestrاند Pontoon:** The congestion on Whitestrاند pontoon during July and August has reached a state where it is unsustainable and dangerous. Commercial vessels pay a pontoon licence fee but, on occasions find it impossible to berth because of the number of leisure craft. To regulate the number of vessels permitted to berth on Whitestrاند it is proposed to issue up to seventy five resident's permits for the months of July and August at a charge of £25/month and fifty visitor's permits at a charge of £25/week. This measure is not designed to generate income but to regulate the number of inflatables and tenders that berth on Whitestrاند and improve safety. The income generated however would be considerable⁷ which could fund seasonal staff to police Whitestrاند.
12. **Taxi Charges:** The yacht taxi has become an essential feature in most leisure ports. The introduction of the yacht taxi has reduced the risk of sailing related fatalities, particularly late at night. As Salcombe has no alongside berthing facilities, a severe tender berthing problem exists at Whitestrاند for residents and harbour users that use Whitestrاند as a marina/car park. There is also a problem with value for money⁸ for the visiting yachtsmen; the taxi is a potential solution to these and a range of associated issues. To encourage yachtsmen to use the yacht taxi rather than their tender and to improve the value for money for the overall visit it is proposed to sell books of ten return yacht taxi trips at a discounted rate⁹. If there is no increased usage of the taxi as a result of discounting, there is a risk that the income will drop by up to £10k (this has been built into the overall budget figures), this is considered an acceptable risk when balanced against the potential gains.

⁵ One side of one arm of the Victoria Quay Pontoon has all states of the tide access.

⁶ Batson Pontoon/ Victoria Quay		2.0 metre berth	(25%)	320 berths	present £147.43	proposed £184.29
Batson Pontoon		2.3 metre berth	(25%)	3 berths	present £188.14	proposed £235.18
Shadycombe		1.7 metre berth	(25%)	2 berths	present £127.07	proposed £158.84
Shadycombe		2.0 metre berth	(25%)	14 berths	present £147.43	proposed £184.29
Shadycombe		2.3 metre berth	(25%)	10 berths	present £188.14	proposed £235.18
Shadycombe		Cat 5 Commercial	(50%)	6 berths	present £1,000.99	proposed £1,501.49
Shadycombe		Cat 6 Commercial	(50%)	1 berth	present £731.87	proposed £1,097.81
Kingsbridge		1.7 metre berth	(15%)	2 berths	present £127.07	proposed £146.13
Kingsbridge		2.0 metre berth	(15%)	23 berths	present £147.43	proposed £169.55
Kingsbridge		2.3 metre berth	(15%)	12 berths	present £188.14	proposed £216.37
				Total	£64582.10	Total £ 81,823.52

⁷ Whitestrاند income could be up to £11,875 for the months of July and August.

⁸ At 2006 prices, a 10 metre yacht would pay £18 harbour dues and mooring fee each night. A round trip from the visitor's pontoon to town for a crew of 6 would cost a further £24. Showers at the Yacht club would cost a further £6, totalling £48. A night for the same vessel in Dart Marina, the most expensive Marina in UK, would only cost £38.71.

⁹ Off Town @ £3 return x 10 = £30 discounted to £20. The Bag @ £4 return x 10 = £40 discounted to £30. Above Tosnos Point @ £6 return x 10 = £60 discounted to £40.

13. **Out of Season Charges:** Outside of high season SHA provides few services, the taxi is available during working hours only and the duty boatman's hours are limited to a couple of hours on weekend mornings, purely to collect charges and check on the security of the harbour. It is proposed that mooring charges are not collected during these off peak periods and fees are limited to harbour dues only. This measure would cost little¹⁰ but generate considerable good will and encourage local yachtsmen to visit Salcombe.
14. **Variance between visitors and residents value for money:** To redress the differential between the highest charges for visitors in the West Country and some of the lowest charges for residents, it is proposed that charges and dues for Visiting vessels entering from sea utilising deep water moorings are frozen at 2006 rates for the next 12 months¹¹. Charges for all other services should rise in line with inflation.
15. **Shared Incentives with Dartmouth:** The concept of having a two port deal with Dartmouth is an interesting and innovative. However, it has not been explored with Dartmouth and therefore it is proposed that it not be considered any further this year but explored fully for 2008 onwards.
16. **Inflationary Increase:** To keep all charges at 2006 rates for 2007 would, because of inflation, generate a projected deficit of £35,000. It is therefore proposed to increase charges by 3% for all services other than those specifically mentioned above.

Summary of Proposed Charges

17. The proposed charges and their financial implications are:

Measure	Income Generated	Income potentially lost
50% increase for boatyard moorings	£10,500	
25% increase for the pontoons at Batson, Victoria Quay and Shadycombe 15% increase for the Kingsbridge pontoons	£17,241	
Introduce a Whitestrand resident's permit for the months of July and August at a charge of £25/month and a visitor's permit at a charge of £25/week	£11,875	
Discount water taxi tickets: Off Town @ £3 return x 10 = £30 discounted to £20. The Bag @ £4 return x 10 = £40 discounted to £30. Above Tosnos Point @ £6 return x 10 = £60 discounted to £40		£10,000
Waive mooring charge for visiting yachts from October to March		£3,159
Freeze charges for visiting yachtsmen for 12 months.		£4,350
Increase all other service charges by 3%.	£14,760	
Balance	£36,867	

¹⁰ Oct 05 to Mar 06 85 yachts visited for a total of 135 nights. If average size of yacht was 13m the potential loss of income would be £3,159.

¹¹ Assuming other charges rise by 3% the potential loss from visitors, based on 2006 figures, would be £4350.

18. A table of proposed charges for the 2007/08 season, with all of the above measures incorporated is at Annex A, which is the preferred and recommended option.
19. For comparison purposes, were an across the board increase of 3% be levied, the increased revenue would be approximately £19,000. This would result in a budget deficit of £16,000. A table reflecting a 3% increase across the board is at Annex B.
20. Should the Harbour Board decide not to accept the range of measures summarised in paragraph 17, an across the board increase of 5% would be required to fund the predicted budget deficit. A table reflecting the charges for this option is at Annex C.

Risk Assessment

Risk	Mitigation
Impact on Council's and SHA's reputation because of above inflation increases to pontoon facilities.	Harbour board, through the 'Harbour Community Forums' would explain and justify increased charges. Positive PR campaign and press release explaining the need to generate sufficient income to enable investment in the future.
Adverse impact on local businesses as a consequence of introduction of 50% levy on commercial moorings.	With businesses charging up to 575% more than the harbour's basic charge for the facility, there is clearly a market for these moorings at highly inflated prices. This increase simply re-distributes a little of the income back to the fundamental service provider. There will be a need for the harbour board to justify the increase and explain the logic.
Adverse reaction from boat owners who have historically used Whitestrand pontoon as a marina.	Health and safety considerations have driven this measure. Unregulated, Whitestrand pontoon is an accident waiting to happen.
Taxi service discounts will increase the service's popularity and demand will exceed capacity.	The duty boatman will have the authority and resources to prioritise assets assigned to him to provide additional taxis during period of extremely high demand.
Inflation exceeds 3% and the harbour budget goes into deficit.	Harbour Revenue Reserve account would have to underwrite the deficit.

Conclusion

21. Because of inflation, the charges have to increase if the budget is to be balanced. The range of measures discussed by the Charges sub-committee have been developed to provide a balanced increase that attempts to address the problems of overcrowding at Whitestrand and the value for money issues surrounding visiting yachtsmen. The discounted water taxi fares have a part to play in both of these problems but if taken in isolation, will only start to address the issues.

22. Shortage of time and the change of Harbour Board has precluded a full review of the charges, which must be undertaken for 2008/09 to support and complement the developing strategic business plan.

John Smith
Accountant

Ian Gibson
Harbour Master

Salcombe Harbour Board
24 October 2006

Appendices:

- A. Proposed Salcombe Harbour Board Charges 2007/08 based on the range of measures identified by the Charges sub-committee.
- B. Comparative Charges based on a 3% increase across all facilities.
- C. Comparative Charges based on a 5% increase across all facilities.

Background documents:

Financial Services Working papers