

Guernsey Marine Traders Association LBG

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Dear Sir/Madam

On behalf of the Guernsey Marine Traders Association (GMTA) I would like to thank you for arranging the meeting at the RCIYC on the 6th of September 2023, with other interested parties, to discuss the Ports increased fees proposals relating to Harbours.

During the lively debate you requested that any concerns, from attendees, should be submitted in writing before the end of the consultation period of 30th September 2023.

With respect to Guernsey Ports 2024 Proposed Dues & Charges which we received on Sunday 27th August 2023. There has been no consultation Between Guernsey Ports, the GMTA or as far as I know the Guernsey Boat Owners Assoc or the Yacht Clubs prior to that date.

This letter and the comments herein therefore represent the views held by the GMTA. The points detailed below are presented in bullet point fashion to keep the Associations' views direct and concise.

For the latest States Accounts for Guernsey Ports see: <https://gov.gg/CHttpHandler.ashx?id=168797&p=0>

These figures are surprisingly opaque in the States Accounts by not showing where profits or losses are made as are the assertions in the proposed dues and charges.

It is very difficult to see the wood from the trees in the accounts as they are consolidated for all Ports St Peter Port and St Sampson Harbours are lumped in with Guernsey Airport.

As we have said for many years we fail to see the synergy or logic for consolidation, Guernsey Harbours are a large enough and a profitable unit that should be run on as a standalone basis. We would prefer to see experienced Maritime people running the Harbour, with no input from middle management or senior management at the airport.

At first view they are grim for 2022, a year that travel was still affected by Covid (low passenger numbers) as was the Covid year of 2021:

	<u>2021</u>	<u>2022</u>
"Guernsey Ports"	Loss - £10.077m	-£4.256m
Harbours Operating	Surplus + £0.939m	£2.045m
Moorings Surplus	Surplus +£0.552m	£1.030m
Airport Operating	Loss -£8.249m	- £4.092m

In normal pre covid years the leisure moorings were returning a surplus over expenses of £1.2m .

From an analysis of published States accounts we have calculated that over the 27 year period from 1996 to 2022 the Harbours made an operating **surplus** of **£31.1m** whereas the Airport made an operating **deficit** of **£40.7m**.

It should be noted that the “Leisure” (moorings) activity contributed the larger part of the Harbours operating surplus.

Again from analysing States published accounts we have calculated that over the same 27 year period the Harbours net **contribution** to the Ports Holding Account was the sum of **£31.7m** whereas in this period the Airport **withdrew** from the PHA the sum of **£53.4m**.

Although there have been changes to accounting policies during the 27 year period the underlying picture is crystal clear – the Harbours have made a substantial surplus which would have been available to fund future capital projects at the Harbours had it not been consistently spent at the airport.

Under the current set of proposals it would seem that Harbour users, and especially “Leisure” users, are being asked to pay twice!

This cross subsidy of the Airport by the Harbours is not new, it has been going on prior to the STSB since 1964 by the Board of Administration.

What is new is that the “Ports Accounts” Format obscures this.

The operating surplus made by the mooring fees of Local Leisure boats in normal years is expected to be in excess of £1.8m this year.

The Harbours would be well able to pay for their normal maintenance and normal development with their own retained funds were it not the fact that these funds have been used to support the Airport from the Ports Holding Account (PHA).

The Current PHA would only work if both the Harbours and the Airports paid back all funds borrowed from the PHA with capital and interest as well as posting reasonable profits at both Harbours and Airports on average over the years.

If one accepts the “**user pays**” policy, the Airports should be Split from the Harbours and run independently. The Airport charges should either be able to support the Airport and grow a healthy surplus or they should be Subsidised directly from the States of Guernsey, not by the Harbours.

Broadly the Proposals made are:

Guernsey Airport, Children aged 5 to 15, will be charged for the first time! The Discount on fees for less than 55nm will be discontinued and other fees rise 12 to 21% over inflation.

Commercial Shipping, the Child harbour dues which have always been charged will be now discontinued and set at the Adult rate, increased charges on hydrocarbons and basically a 21% increase in other fees.

The Increases for Local Leisure Boats to 2026 has swingeing increases of Plus 50% for a 20ft boat plus 60% for a 30ft boat, plus 72% for a 30 to 40ft boat, plus 82% for a 45 to 50ft boat and plus 93% for boats over 50ft! This will be plus RPI in 2025 and 2026 @ say 5% for each year and plus GST if it is brought in.

The logic applied by the STSB is that the Harbours have to increase their rates especially the Mooring Holders to pay for the losses short-term and long-term at the Airport! This is a logic that we cannot accept as being, fair, reasonable, equitable or making economic sense. The user for each of the services should pay their way.

The Harbours and it's users are paying their way, the Airport and its users are not year on year.

- **Financial Position of The Ports**

It was well recognised by all parties at the meeting that whilst the Harbours make a financial surplus year on year, the Airport has been running a significant deficit. From the 2022 Ports accounts alone, it can be seen that the “leisure” Harbour operations generated £3.3m of revenue against £2.3m of expenses, giving a surplus of £1m. This trading surplus is generally consistent with previous years. The “co-mingling” of the financial affairs of the Harbours with the Airport has therefore meant that Harbour “reserves” have been used to partially offset the Airport deficit. Whilst it is acknowledged by the GMTA that capital expenditure is required around the Harbours, the fact remains that the previous surpluses generated by the Harbours and leisure marinas would have gone a long way to self-funding this requirement if the funds had been kept separate. The proposed excessive marina fee berthing increases therefore represents the Ports asking leisure boat berth holders to “pay again” when the current fee structure is already producing a surplus compared to direct expenditure. Part of the argument presented by Ports is that the exceptional costs incurred during COVID need to be re-couped, however all leisure boat owners continued to pay full marina fees during the pandemic, despite the stringent restrictions placed on leisure boating activities. It is also noted that much of the planned expenditure relates to the capital assets of the Harbour such as Ro-ro ramps which are an essential part of shipping goods in and out of the Island. Logically this should be paid from general reserves rather than by 1,600 mooring holders.

- **Potential Reaction of Leisure Boat Owners to Fee Increase Proposals**

There can be no doubt that a proportion of current boat owners will simply be forced to give up boating, due to the excessive mooring fee increases, should they be passed. Although the GMTA cannot predict numbers in this respect, Ports may glean an indication of the magnitude of these from the survey which they intend to circulate, in short order, to all berth holders. Hopefully the survey results will be shared by Ports to interested parties. Whilst there may be a perception in the wider community that boat owners are financially well off, in most cases this is simply not the case. Being surrounded by water, historically leisure boating has represented an incredibly important part of islanders’ daily life. The proposed excessive increase in leisure boating mooring fees, before inflationary increases are added, will undoubtedly place an undue financial burden on many leisure boat owners, to the extent where they simply have no option but to give up boating. The Ports pricing increase proposals also need to be considered against the current deteriorating economic climate of increased mortgage and interest rates, high inflation, and a general cost of living crises. The Guernsey economy is currently in a fragile state and these increases, if passed, will simply add to an already precarious economic outlook.

- **Impact on GMTA Members**

It is widely acknowledged that the marine trader segment of the local economy contributes significantly to the island’s coffers in terms of employment, financial contribution, and a supportive infrastructure for the commercial, local and visiting boating community. The GMTA membership comprises sole traders through to medium sized companies and there is widespread concern amongst Association members that to impose excessive mooring fee increases will have a potentially significant detrimental impact on their livelihoods/businesses. Whilst surprisingly, COVID had a positive impact on the leisure boating industry, the marine related world is normalising again. Boat builders are announcing a slow-down in their order books as consumers revert to their previous lifestyle of overseas travel etc. In many cases boats purchased during COVID are being sold. GMTA members are expecting trading conditions to become more challenging due to the ongoing cost of living crises, as boat owners become financially stretched and any decline in leisure boating numbers will only exacerbate the decline in trading conditions if the current mooring fee proposals are passed.

A much more positive approach would be for Ports to increase the number of available moorings, strategically around the existing Harbour structure. This would be revenue generating and would perhaps allow parts of the QE11 marina to be re-configured to enable at least some of the demand for larger vessels to be accommodated. Ways of finding “quick wins” to encourage more yachtsmen to visit Guernsey and stay longer could also provide more revenue for the island. These initiatives would be positive for Harbours and the leisure marine sector, including the GMTA, perhaps lessening some of the concerns about the future economic outlook.

- **Affordability**

It is recognised that the amenities offered to visiting yachtsmen are well below par and needs to be addressed as a matter of extreme urgency. However, the situation for local boaters is different. Ports have sought to draw comparisons between South Coast UK marina charges to those of Guernsey, however there are substantial differences in the marina offerings selected by Ports for their benchmarking study. Local berth holders are not demanding “bolt on” services including any state of tide access, WIFI, additional toilet facilities, exclusive car parking or significantly enhanced security arrangements at the local marinas. It is recognised by local boaters that the marina facilities are limited, however this has been balanced by the affordability of marina berths to the Guernsey population. The GMTA would also highlight the final bullet point contained on page 9 of the Benchmark Marinas Study circulated with the “2024 Proposed Dues & Charges Proposal - For Consultation” which states, “St Peter Port is currently undervalued within the benchmark set but it is acknowledged that the berthing infrastructure and associated facilities and marine trade services are lacking somewhat and prevent Guernsey Ports from increasing existing tariff rates”. It is also worth reinforcing that many of the nearby French municipally run marinas offer very attractive berthing fees. To berth a 49’ x 14.5’ motorboat in Carteret costs approximately £2,928 (ex TVA) per annum. Berthing this boat in St Peter Port cost today £4,703.51, which is significantly higher than the Carteret berthing fee. By 2026 the proposed Guernsey rates would increase this to £8,583!

The GMTA therefore takes the view that to sustain a vibrant and growing marine leisure sector, marina fees should only be increased by RPI as it has been each and every year. This traditionally used pricing model has been highly successful over the years, generating a surplus, year in year out and the leisure marine sector has managed to grow its offering, despite economic headwinds from time to time.

The proposed pricing increases are expected to reduce the demand for leisure berths, perhaps significantly, which could subsequently negatively impact the revenue calculations being projected by The Ports. There is therefore some risk to Harbours that the price increase strategy backfires, with an overall revenue reduction in mooring fees due to the increased fees being negated by less berth holders. It is also entirely possible that if the increased berthing fees are passed as proposed some of the wealthier boat owners may simply elect to relocate their vessels elsewhere. This would naturally have a further detrimental impact on those GMTA members who currently operate in this sub sector of the market. Whilst extremely wealthy individuals may be unaffected by the proposed fee increases and pay them without issue, this could lead to leisure boating activities becoming dominated by the wealthy. This would indeed be a sad day for the island when historically marina fee affordability has allowed the Guernsey man in the street to enjoy the boating experience which Guernsey offers.

- **Potential Impact on Planned Pool Development**

The GMTA has been highly supportive of The Harbours plan to develop the Pool into another leisure marina. If this project progresses, it will have a significant positive impact on the local marine industry and on Guernsey PLC. This marina development will lead to significantly increased business opportunities for local marine and non-marine traders, could boost traffic flow into the island through the “Ports” significantly and rejuvenate the marine leisure facilities for both local and non-local boaters alike. There is little doubt that the Harbours would also enjoy considerably greater income from this development and achieve one of their major strategic goals of generating substantial business growth from their asset base. There is therefore a significant risk to the chances of this project being approved for implementation if the increased mooring fees are passed and a significant number of existing leisure boaters are forced out of the local boating scene. Reduced demand for berths will weaken the case for developing a new marina complex and risks derailing this important project which we have all invested considerable time and money into, for all Guernsey businesses including GMTA members.

- **Conclusion**

Hopefully the above bullet points articulate the concerns of the GMTA to the potential consequences of increasing leisure Marina fees to such excessive levels. The GMTA would urge a thorough evaluation of alternative revenue generating strategies which would not be harmful to the current status quo. The GMTA would be very pleased to engage with Ports on this matter. These proposed draconian mooring fee increases if passed will, no doubt, lead to

some boaters having to give up boating, due to the financial pressures. The attendant reduction in leisure berthing requirements resulting from these increases may lead to Ports revenue projection levels not being fulfilled as the reduction in leisure berth requirements may offset the increased mooring fees being collected. Ports hold a monopolistic position with local berthing arrangements and to exploit this situation with local berth holders, would be viewed very unfavourably by our forefathers. They had the vision to invest in local marina facilities which have been enjoyed by large numbers of locals over the years at an “affordable” price, whilst also generating consistent financial surpluses from the current RPI based berth pricing strategy. This should not be given up lightly.

Yours Sincerely
David Norman
President GMTA

A handwritten signature in blue ink, appearing to be 'DN', with a long horizontal stroke extending to the right.