

Scotland's Economic Performance

Scrabster Harbour Trust

Background

1. Scrabster Harbour Trust was founded in 1841. Scrabster is the most Northerly mainland commercial port in the UK. Scrabster Harbour is an independent Trust Port governed by its own legislation. The port is operated commercially by the Trust which, although not publicly funded, is accountable to the wider community and to harbour users. As a self-financing business, it operates like any commercial concern and is dependent on cash flow and profits for its successful operation. The Trust Port status also means all surpluses are reinvested in the maintenance and development of the port to ensure that it meets the requirements of users.

2. Scrabster is a multi-purpose / multi user port. The portfolio of activities includes the lifeline ferry link to Orkney, fishing, cruise, oil & gas, renewables, fish cargo from the Faroes, general cargoes, leisure and property.

3. The harbour has seen considerable investment over the last two decades. The most recent projects being the £17.4 million redevelopment of the Old Fishmarket Pier in 2013, and the installation of a £1 million new Ice Plant in 2017 to service the fishing industry. Both investments were aided by considerable grant funding from a variety of public bodies.

4. Development of the harbour is viewed as one of the significant opportunities to prepare a sustainable economic future for the Caithness & North Sutherland area beyond the decommissioning of the Dounreay Nuclear plant.

5. Scrabster offers an interesting case study of how vision and investment in enabling infrastructure has benefited the Caithness and North Sutherland economy, and also how the Trust port model of port ownership benefits the Scottish Economy.

6. This response covers a number of the inquiry questions but has particular relevance to

What have been the main drivers of growth in the Scottish economy since 2007?

How have Scotland's key sectors performed over the past decade?

What are the different models of business ownership in Scotland and what is their importance to Scotland's economy?

7. In 2007 the Trust Board undertook a strategic review. The review concluded the following:

- The importance of the port to the Caithness economy had never been properly quantified.
- The port and area was strategically located to service a number of growth opportunities, e.g. marine renewables in the Pentland Firth and oil and gas support for installations West of Shetland and the Atlantic Frontier.
- Without investment in improved port infrastructure these opportunities would be missed and over time the port was likely to stagnate.
- Development of the port would create economic opportunities for the wider economy.

8. The first stage of the port infrastructure plan was realised between 2011 and 2013 with the construction of the new Jubilee Quay. The total construction costs were £17.4 million compared to a budget of £19.3 million. A multi-agency funding package was put in place comprising Scottish Government (Highlands & Islands Enterprise), Nuclear Decommissioning Authority, European Regional Development Funds and European Fisheries Funds. The Trust secured £5 million of term borrowings and invested £1.3 million of its own cash. The project delivered multi-purpose port infrastructure aimed both at growth opportunities but also retaining existing sectors such as fishing.

Trends

9. The potential for stagnation and the success to date of the investment can be demonstrated from the following snapshot Scrabster Harbour Trust measures

	Total Port Income £ million	Profit before tax £000s
2006-07	2.294	376
2010-11	2.250	139
2016-17	3.377	851

Similarly the need for diversification can be demonstrated by the commercial vessel tonnage figures (this excludes the vessel tonnage from fishing and ferry activity)

	Commercial Vessel Tonnage
2007	818,175
2009	647,752
2016	1,212,566

10. These financial and activity measures capture the activity of Scrabster Harbour Trust alone. However a different and wider measure is needed to

capture the full contribution Scrabster makes to the Caithness and wider economy.

In 2008 the Trust commissioned an independent economic impact assessment of the contribution of the Harbour to the Caithness economy. A refresh of the assessment was undertaken in 2017. A summary of the two studies is set out below.

Measure	2017	2009
Employment (FTEs)	403	339
Gross Value Added (£million)	24.8	14.6
Income (£million)	10.3	6.2
Output (£million)	48.2	38.3

11. The EIA report reflects shared success. The Harbour is an enabling infrastructure and the report captures the business decisions and commercial contribution of those using the Harbour.

12. An argument can be made that the payback (as measured by increase economic contribution) has already been achieved for the public investment in infrastructure at Scrabster.

Challenges / Opportunities / Future Developments

13. Scrabster Harbour Trust wishes to build upon the success of the port over recent years.

- Successful delivery of a complex large project by a small local organisation
- Growth in port revenues and demonstrable growth in the beneficial impact on the Highland economy.

14. Significant specific opportunities exist through the expansion of oil and gas activity West of Shetland, and in accommodating cruise ship activity. Both opportunities require further investment in improved port infrastructure.

15. The challenge is again assembling a funding package for such works. Most works over the past twenty years have had an element of European funding. This funding will not exist going forward and it is not clear whether replacement funds will exist through Holyrood and or Westminster.

16. There is an irony that, at a time that the state aid restrictions around port infrastructure have been relaxed, insufficient public funds may be available to take advantage of the recent amendment to the General Block Exemption Regulation.

17. The challenge of positioning the Caithness & North Sutherland economy post the closure of Dounreay remains. The future investment required to do this needs to be appraised against the likely reduction then complete loss of the economic benefit to Caithness arising from the Dounreay budget (currently £170 million per annum).

18. With recent various City Deals and an Islands Deal being progressed for the northern isles, it is important that the Northern Mainland is fully considered and not overlooked

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