

STATES OF JERSEY



DRAFT TARIFF OF HARBOUR DUES (P.178/2009): ADDENDUM

**Presented to the States on 9th December 2009
by the Minister for Economic Development**

STATES GREFFE

DRAFT TARIFF OF HARBOUR DUES (P.178/2009): ADDENDUM

Harbour Charges 2010 – addendum to P.178

Since lodging this proposition, members will have had the opportunity to read a letter from the Port Users' Association. The letter raised a number of matters which some members have asked for clarification. To achieve a clearer understanding for the Operators and Members, I am pleased to confirm that a number of meetings have taken place during the last week to once again confirm Operators' agreement to the commercial arrangements and that the proposed Harbour Dues are acceptable to them.

Summary

- Jersey Harbours' objective is to ensure that the port is self-funding and sustainable; all activities are designed to ensure that it does not require future States funding.
- Tariffs have fallen in real terms by c.15%, with significant cost efficiencies made over a number of years.
- Operators have agreed this approach through a range of commercial discounts in a joint effort to target greater volumes (e.g. shoulder months, event-led tourism, and other promotions).
- The structural changes (e.g. removal of the child rate) to these tariffs is cost-neutral for operators.
- The 2.5% increase equates to 5p per adult and 21p per car.

Report

Trading Operation

Jersey Harbours is a Trading Operation committed to a commercial policy of charging tariffs that ensure self-funding and long-term sustainability, to ensure that we do not become a burden to the States of Jersey. These charges aim to deliver enhanced services and reduce our forecast deficit (forecast as -£559K for 2010 under GAAP) predominantly through a mix of efficiency savings, commercial activities that produce a commercial return, and tariff increases.

Jersey Harbours can be financially viable in the long term, provided it can operate with reasonable commercial freedom and accept the commercial requirement to increase its charges to customers to generate more funds from trading to address the significant future infrastructure challenges. The cost of providing Jersey Coastguard is now transparently funded through commercial freight dues.

Efficient Operations

An independent report (2008) stated that the organisation is operating efficiently, and that whilst there are some ways that costs could be controlled better, it does not appear to be over-staffed. Productivity has increased considerably and compares well with a decline over the periods before 2003. In contrast, profitability has fallen because costs

have risen faster than charges (even with efficiencies), with Harbour Dues in Jersey usually capped at 2.5%, resulting in a 14.8% decrease in real terms in the passenger tariff since 2000.

Benchmarking

Comparison with other ports is not straightforward, since only Guernsey's costs also include that of the Coastguard and Light Dues. The Tariff in Guernsey is not cost related with different rates charged depending on the distance travelled to reach or on leaving the Island. However, as a comparison, in 2009 Guernsey charges £11.45 per vehicle (Jersey £8.59) and £2.75 per adult passenger (Jersey £1.96) travelling to the U.K.

Harbour Charges 2010

An initial indication with regard to scale of charges was given to operators in September 2008 where, considering the financial position, previous years 'caps' of 2.5% was unlikely to be realistic for 2010. However, as the economic situation became clear and RPI fell, the forecast was revised and in March 2009 all Port Users were advised a prudent 2.5% increase was planned (5p per adult passenger), with views sought from users with regard to service efficiencies. Specific savings were implemented in Passenger Services in 2009 including a reduction of c.2FTE in light of reduced passenger movements.

Commercial Incentives 2010

Commercial discussions with all operators continue and commercial agreements to implement the charges and structures proposed have been agreed in principle for 2010. In 2010, c.£75K of the revenue achieved from the increased charges will be directed to specific incentives and discounts to target increasing passengers.

Operators' concerns remain over the longer-term funding of non-port related costs, including the coastguard, and their impact on harbour charges.

Details

The following tariffs have been removed from the Tariff of Harbour and Light Dues for 2009 –

1. Light Dues

Light Dues form part of the current Harbour Dues and, unlike other jurisdictions, are not charged separately and have not been for many years.

2. Passenger Dues

- 1(b) Child rate – removed
- 2(a) Low Car rate – removed.

Child Rates 1(b)

The child rate has been removed from the Tariff. This will simplify the administration of charges and puts the charge on a more cost-related basis. The additional income will be returned and used in a joint effort with operators to incentivise routes during the year by commercial arrangements with individual operators concerned, focused on achieving greater volumes overall. There will be an opportunity to have free dues and fares for children at specific times of the year. Infants remain exempt.

Car Rates 2(a)

In 2009, there were 2 rates for private vehicles (£8.20 and £8.59). These have been consolidated to one rate (£8.59) which has been increased by 2.5%.

Tariff	Change	Revised Tariff	Approximate Value
Adult Passengers	Increase 2.5%	£2.01	£32,000
Child Passengers	Charged at adult rate	£2.01	£103,000
Private Vehicles	Increase 2.5% (one band)	£8.80	£57,000

3. Marine Leisure charges

All Marine Leisure charges are now made under the Harbours (Administration) (Jersey) Law 1961, as amended. Charges are amended by Harbour Master's Directive in line with Ministerial policy and the guidelines laid out in the Schedule A of the Law. For 2010, marina charges have been increased by 4% other than for visiting vessels and moorings which will increase by at least 6%.