

HIGHLAND COUNCIL

Committee: Lochaber Committee

Date: 10 April 2019

Report Title: Loch Linnhe – Marine Traffic Management

Report By: Director of Community Services

1 Purpose/Executive Summary

- 1.1 This report discusses the concerns being expressed by some local stakeholders that increased marine traffic in Loch Linnhe and projected future increases are leading to congestion and the possible increased risk of an incident occurring within the Loch.
- 1.2 These stakeholders are proposing that the creation of the Harbour Authority to manage the marine traffic within Loch Linnhe will assist in reducing the risk.

2 Recommendations

- 2.1 Members are asked to:-
 - i. Note the previous work carried out in respect to establishing a Harbour Authority;
 - ii. Consider undertaking further consultation with users of the Loch with a view to the establishment of a Harbour Authority

3 Background

- 3.1 Loch Linnhe is classed as unregulated waters in that marine traffic is able to navigate the waters of the Loch without being subject to the control of a Harbour Authority. Each vessel is subject to the normal rules and regulations that apply to vessels at sea and each vessel has the responsibility to navigate safely and avoid collisions.
- 3.2 The types of vessels typically using the loch are Cruise liners, coastal cargo vessel, leisure craft, ferries, fishing boats, aquaculture and other various miscellaneous vessels.
- 3.2 The restricted nature of the Loch and especially the Corran narrows brings all types and sizes of vessels into relatively close proximity and care is needed by their Masters to avoid an incident. The proposal from some stakeholders is to form a Harbour Authority that could impose a Marine Traffic Management System in the Loch.

4 Previous Considerations

- 4.1 In 2015 a viability study was commissioned from a marine consultant, the brief was:-

“To evaluate the viability of a new harbour authority that would be responsible for Loch Linnhe north east of the Corran Narrows. Such an authority could be managed by Highland Council or operated by a new Harbour Trust”.

The report also advised on the navigation issues and the operational advantages and disadvantages of a harbour authority taking certain responsibilities.

- 4.2 The report which looked predominantly towards income from cruise liners and growing that business, generally concluded the following:

Growth in cruise activity can be achieved without a Harbour Authority as shown by the increase in calls booked to six for 2017 from a base of around one per annum in recent years and the success of the community group in raising the funds for a new pontoon and attracting these additional calls.

Lack of pilotage may present a limitation on growth in the cruise sector at a later date. If problems are encountered on calls in the next few years, or in the process of marketing the new pontoon and Fort William as a destination, the total impact of these limitations may be sufficient to warrant finding a solution to the pilotage issues as set out below. This may well not require a Harbour Authority.

A Harbour Authority would not be self-sustaining in the short to medium term with:-

- *Operational costs estimated at £56,000 -- £90,500 per year depending on whether it operated as part of the Council, with risks and liabilities associated with pilotage following, or as a standalone Trust port.*
- *Set up costs at a minimum of £50,000 assuming that the application for Harbour Authority status was not challenged.*
- *Revenue to the Harbour Authority for the short to medium term estimated at £20,000 (low calls) to £50,000 (high calls) with estimates vulnerable to a relatively low number of client decisions and charging regimes at alternative ports of call.*

4.3 The report made a number of recommendations:-

1. Future identification of need

In order to address potential safety issues that could develop in the future, the Council should liaise with Loch users to agree trigger points in terms of shipping volumes or incident levels that would require the need for a Harbour Authority to be re-examined.

2. Intermediate improvements

Enhanced navigation aids should be considered and a revised set of guidance notes produced that are suitable for cruise line operations. This could be contracted to a specialist, with a supplement to cruise line fees charged to cover these costs.

3. On the benefits of a Harbour Authority

Any investment available for the development of marine activity on Loch Linnhe would be better channelled towards:-

- a. Marketing Fort William as a destination to cruise lines*
- b. Examining the specific insurance barriers to pilotage related to future demand by cruise ships*
- c. Investigation of the development potential at Corpach Shipbuilders,*
- d. Corpach harbour and the Underwater Centre Pier*

4.4 Following these recommendations a request was sent to the National Lighthouse Board with to review and improve the navigational aids guiding vessels through the Corran Narrows, as a result a "Sector Light was installed on the north side of Loch Linnhe.

5 Present Considerations

5.1 Vessel movements within the Loch are purported to have increased in the years since the report was undertaken. The evidence for this is mostly anecdotal as no single agency keeps records on vessel movements, however we can confirm that the number of scheduled visiting cruise liners for the 2019 summer season has risen to 12, from just a single vessel in 2016.

5.2 There is a local interest in forming a Harbour Trust for Loch Linnhe that would be able to manage vessel movements in the Loch by implementing a manned Marine Traffic Management system.

5.3 This would be a rather unique Harbour Authority in that it would not own any infrastructure in the Loch at the outset. Although some infrastructure could be transferred from local owners, it is unlikely to be substantial enough at first to generate sufficient income for a manned traffic management system, therefore collecting income all vessels transiting the Loch will be necessary.

5.4 Over time it may be possible to generate sufficient income to be able to purchase or construct new berthing infrastructure that could attract more vessels and trade that could generate further income.

- 5.5 To form a Harbour Trust there will need to be sufficient drive and enthusiasm from local individuals to form a dedicated community group to take the project forward. This will involve drafting and seeking approval for an Act of Parliament via Transport Scotland, who will only support new Harbour Authorities that can demonstrate a clear need and future financial sustainability.
- 5.6 The proposed Trust will need to consult and gain the support of the existing users and stakeholders of the Loch to avoid objections being raised by them during the enactment process. A significant number of objections or objections from regulating authorities could result in a costly public enquiry being required. It is likely that many of the users and stakeholders will have concerns over the dues to be charged by the potential Harbour Authority and the added cost of their shipping.

6 Suggested Next Steps

- 6.1 These are outline suggestions on the preliminary next steps for consideration; they are not detailed or exhaustive and may not be in the desired order.
- 6.2 Consult and engage with stakeholders at public meetings (presentations) and if enough support is demonstrated help to establish a structured community group which would commission a consultant to provide an options appraisal and business plan for the proposed Harbour Authority.

7. Implications

- 7.1 Funding will be required to undertake the preliminary steps and further substantial funding required to form the Harbour Authority. The establishment of a Harbour Authority in Loch Linnhe may lead to increased costs for all shipping in the Loch, including the Corran Ferry.
- 7.2 There are many Legal implications for the Harbour Authority in forming a Trust, however these should not directly impact on the Highland Council at this time.
- 7.3 There are no known adverse Community (Equality, Poverty and Rural) implications at this stage.
- 7.4 There are no known adverse Climate Change / Carbon Clever implications at this stage.
- 7.5 There are no known adverse Risk implications at this stage.
- 7.6 There are no known adverse Gaelic implications at this stage.

Designation: Director of Community Services

Date: 1 April 2019

Author: Tony Usher, Harbours Manager

Background Papers: 2015 Consultants Study Report

Report on the Potential Viability of a Harbour Authority for Loch Linnhe

Produced by Steve Westbrook Economist, WGV Marine and Stewart & Parsons for the Harbours Division of Highland Council



18th February 2016

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1 Objective of the Study

The brief from Highland Council for this study was to evaluate the viability of a new harbour authority that would be responsible for Loch Linnhe north east of the Corran Narrows. Such an authority could be managed by Highland Council or operated by a new Harbour Trust.

Also, this report advises on the navigation issues and the operational advantages and disadvantages of a harbour authority taking certain responsibilities.

2 Background

Increasing the potential to attract cruise ship visits with the economic impact that these can generate was the key reason for examining the feasibility of establishing a Harbour Authority for Loch Linnhe, with other factors including an expectation of increased activity at Corpach from timber and aquaculture operations. Also, a ship aground in the loch in 2014 raised the profile of operational safety.

Details of the existing activity on Loch Linnhe are provided in Section 9 below.

The area under consideration for a new Harbour Authority area covers the immediate approaches to the Corran Narrows to the south, northwards to south of River Lochy.

Our consideration of the advantages and disadvantages of establishing a new harbour authority covered:

- Whether it would enable additional activity to take place on the loch with economic benefits to the area.
- Whether it is necessary in terms of safety.
- The impact that an authority and associated charges might have on existing activity.

Currently, the costs to Highland Council associated with cruise ships berthing in the loch at Fort William are offset by dues paid for the use of the Town Pier to land tender passengers. With the success of the fundraising for a new pontoon to the south of this pier, however, these revenue patterns will change.

The Fort William Marina & Shoreline Association is the community group that has secured funding from the Town Centre Communities Capital Fund to build a new pontoon. They have also been active in promoting Fort William as a cruise destination. Highland Council also allocates resource to promoting Highland ports and harbours to the cruise sector, in addition to the more general promotion carried out by VisitScotland.

CruiseScotland is an association of cruise ports that carries out joint marketing for its members. Lochaber Chamber of Commerce is already an associate

member of this group, enabling them to advertise Fort William as a destination on Scottish itineraries and promoting the shore excursions under their banner of “The Outdoor Capital of the UK”.

3 Methodology

Two well-attended workshops were held at the Council Chambers at Fort William:

- A Navigation workshop on the 5th November
- An Economic Impact workshop on the 8th December

The points contributed by attendees and our conclusions from these workshops are incorporated into the following report, with notes from the Economic Impact workshop provided in Appendix 1.

For his related report on Navigation issues, Captain Graham Vale also conducted site visits, reviewed charts and documentation, and attended a cruise ship captain’s assessment visit to Fort William. The points from the Navigation workshop are provided in an appendix to Graham’s report (separately available).

Further information was compiled through desk research and telephone interviews.

4 Harbour Authority status

Loch Linnhe would be a very different proposition to many of the existing harbours within the Highland Council portfolio in terms of the combination of users, including fish farms, and with port infrastructure in multiple ownership and dependency on navigating through the harbour area to access open sea.

Each Harbour Authority’s statutes reflect the particular circumstances of the territory involved, built infrastructure and activity within the area.

4.1 Statutory duties of Harbour Authorities

Harbour Authorities have statutory duties under their own legislation as well as under broader legislation, common law and fiduciary duties.

4.1.1 General duties

The principal duty is for the safety of navigation, with the duty of “reasonable care” carrying its inevitable potential for negligence. There are also the obligations for efficiency and economy, and further duties relating to maintenance, operation, improvements and conservancy. What these duties amount to for any one harbour varies greatly depending on the natural characteristics, built environment and activity and users concerned.

4.1.2 Specific duties

The specific legislation empowering a Harbour Authority will give the duties and powers for its particular area, but the list below is a standard set of expectations.

- Provision of pilotage if needed for safe operations
- Management of dangerous vessels, cargo and pollution

- Using the official power to provide directions to vessels
- Port marine safety legislation
- Maintaining aids to navigation and channels

4.1.3 Statutory and Competent Harbour Authority status

This distinction between the two types of Harbour Authority originally related to compulsory pilotage, with Competent Harbour Authorities having compulsory pilotage areas within their boundaries. With the Pilotage Act 1987 and other regulatory and guideline changes since, this distinction is no longer clear with any Harbour Authority able to enforce regulations and impose pilotage.

4.1.4 Current duty holder

In the absence of a Harbour Authority (as in the current arrangements for Loch Linnhe), the responsibility for safety, navigation, pollution and hydrography falls to the Maritime Coastguard Agency. Where a Harbour Authorities exists, the MCA delegates many of these duties to the Harbour Authority and oversees their execution. In a Trust structure, the legal duty holders are the Commissioners and whilst they can delegate responsibilities to suitable employees, the liabilities remain with them.

4.2 Ownership and management

Harbour Authorities, and ports and harbours in general, broadly fall into three categories of ownership and management; private, trust and municipal.

Private ports are controlled by their shareholders and appointed management with profits paying dividends and servicing debt before being applied either within or outwith the port to service owners' wider interests, for example diverting profits into other commercial activities such as property development.

These entities include:

- Ports owned by one or a few individuals, such as Ardersier¹, Mostyn or Bristol
- Facilities that are vertically integrated into a service such as a ferry terminal, eg Holyhead and Fishguard, or a fabrication yard, eg Seaton
- Larger ports around the UK, generally part of a portfolio of ports and most privatised in the early 90s – the majority of which are owned and run for the purposes of investment funds, eg Clydeport owned by Peel Holdings, a property development and ports company

Trust ports are independent statutory bodies run by independent Commissioners for the benefit of the users and stakeholders under the terms of their legislation which can vary from trust to trust. They operate with no direct public funding and are expected to reinvest all profits for the benefit of stakeholders, for example on infrastructure investment or environmental improvements. Profits are not distributed.

Larger trust ports such as Aberdeen and Belfast pay their Commissioners but most are run by volunteer Commissioners who contribute time regularly to

¹ In administration.

² Not included in the jobs total of 520 FTEs above, as this is not dependent on the Loch.

administrate the port. The governance of Trust ports has been the subject of recent scrutiny and both the Department for Transport for England and Wales, and Transport Scotland have issued guidance. Scotland's 'Modern Trust Ports, Guidance for Good Governance 2012', the updated version of the original 2000 publication, is the document that would apply to Loch Linnhe.

Municipal ports have many of the same governance issues as trust ports, being run for the wider benefit and on behalf of stakeholders but are also subject to local government regulations. Whilst some municipal harbours have explicit conditions in their statutes requiring revenues to be retained for the use of the harbour, the revenues and overheads are usually combined into the broader accounts for the Local Authorities, sometimes despite the statutes.

4.3 Harbour Authority charges

A Harbour Authority has the right to charge conservancy dues to shipping passing through their area. These charges are intended to cover the costs of carrying out their statutory duties in aiding navigation, dredging, surveying, issuing directions, supervising pilotage where applicable, environmental monitoring, pollution control and safety, amongst other responsibilities.

For illustration, Forth Ports, the privately owned HA for the Firth of Forth, charges conservancy to vessels passing through to the Babcock owned facility at Rosyth. Cromarty Firth Port Authority, a Trust port, is in the process of consulting on a revised charging schedule for the Cromarty Firth that will apply to vessels passing through their area to access the spooling base at Alness and fabrication yard at Nigg owned privately by third parties.

Both these Harbour Authorities also charge for anchorage, as does the municipal Harbour Authority in Orkney which derives income from ship to ship oil and gas transfers in Scapa Flow and also warm and cold stacking of oil rigs.

The legislation on what can be charged is intended to prevent excessive or unjustifiable dues being levied by the Harbour Authority.

The revenues of most ports are a combination of these statutory dues, charges for use of built infrastructure, and further income from services provided such as towage or stevedoring.

In the case of Loch Linnhe, the ownership of the infrastructure around the loch is mixed, with the Caledonian Canal (trust), Underwater Centre (private company), Clydeport (part of the unlisted private group Peel Holdings), Corpach Shipbuilding Company (private) and Town Pier (municipal) shortly to be joined by a community owned pontoon that will service cruise ships from 2016, replacing the current arrangement for tendering passengers ashore to the Council owned Town Pier.

There are Harbour Authorities such as London and Harwich, that operate purely as conservancy HAs with no infrastructure under their control or ownership.

The possible Harbour Authority for Loch Linnhe would own none of this infrastructure if it were formed as a Trust, and would be able to combine revenues only with the Town Pier if run by the Highland Council, limiting the possible income for a Harbour Authority to conservancy dues for transit, controlled by legislation, and anchorage.

4.3.1 Applying the charges/impact to current users

In recent applications for Harbour Authority status, the statutes under which the proposed HA will operate have had to include conditions that they will not charge current users in order to resolve objections in the applications process.

The feedback from stakeholders at Loch Linnhe has been clear that no additional costs would be acceptable to those already transiting and using the area, and it was recommended in the workshops therefore that any charging schedule would combine tonnage and passenger numbers in a way that captured only cruise shipping.

In addition to the concern over being charged for sea access to their existing businesses, those with facilities in Loch Linnhe would also face the expense of pilotage or pilotage exemption certificates if the Harbour Authority imposed pilots. The experience of Boyd Brothers at Campbeltown was that this could cost £2,500 for each journey.

The burden of administration would also need to be considered for these businesses, with the requirement to engage with the Harbour Authority, attend meetings and comply with recording systems not currently applied. There would also be the cost in volunteer time if a Trust Port were established with Commissioners as volunteers.

5 Navigation and Operations

The full report by WGV Marine incorporates the notes from the navigation workshop held in Fort William with stakeholders and current users of the loch. Only the key points from the report are given in the summary below.

5.1 General activity in Loch Linnhe

In the view of Captain Graham Vale, setting up a new harbour authority (with the power to implement a pilotage service) would require a not inconsiderable effort to introduce a safety management system with attendant procedures and infrastructure in order to reduce marine risk to As Low as Reasonably Possible. In addition, the Duty Holder would be individually and severally responsible for the safety performance of the harbour authority.

A Harbour Authority would reduce but not eliminate risk and would have to consider shipping movements to and from Corpach even if this area were excluded from the harbour area.

Risk management systems are already in place at various facilities around the loch, with the canal using HAZMAN risk assessment software, the use of direct communication and AIS data to integrate movements, and a published Code of Conduct that resulted from Clydeport investigating whether to become a Harbour Authority for its area seven years ago.

Although a harbour authority is not necessarily primarily formed to develop a harbour commercially, local development might be impaired by safety related issues. This might be the case with Fort William in relation to navigating the Narrows, and broader economic development plans should therefore be considered.

Intermediate risk reductions could be taken for all activity in the loch, short of the establishment of a Harbour Authority, including increased navigation aids, augmented guidance notes for captains and other loch users, and a reporting protocol for near misses that could include trigger points for the re-evaluation of the necessity of a Harbour Authority on safety grounds. This could include Corpach without creating the cost and administrative burdens that might impact negatively on existing commercial activities in the area.

5.2 Cruise ships

Pilotage would give greater certainty of arrival for cruise ships but there would be no guarantee that Fort William could attract a sufficient number of cruise vessels to justify the cost of setting up and running the new organisation. The requirement to anchor and tender passengers ashore will always be a limiting factor in attracting the cruise sector.

Considering the limitations on cruise activity imposed by the Corran Narrows, some guidance can be given on the volume of traffic possible over a cruise season if following navigational guidance referred to elsewhere.

This has been considered from the perspective of a master planning a visit to Fort William without local knowledge and with current aids to navigation. Using the services of a pilot with local knowledge would be likely to extend the number of tidal windows for cruise boat visits, with vessel type also being a factor. For example, older vessels tend to have deeper drafts that would tend to place them in a higher category. The arrival window has been considered to extend to 9.30 am, which would leave time to disembark passengers in the forenoon and depart later in the evening while still in daylight. The cruise season is assumed at 153 days.

Sample vessels considered were:

Large - 2,000 pax plus

Example MV Britannia 330 * 44 * 8.3m (4324 pax)

HW (High Water) Slack (as per Admiralty Sailing Directions) = 75/153 days.

Although not recommended in the Admiralty Sailing Directions, a Master may choose (depending on the particular characteristics of the vessel including draft) to transit the narrows during Neap tides when the range is less than 1.2m. This would increase the total to 87/153 days.

Medium - 750 - 2,000

Example MV Balmoral 218m * 28m * 6.8m (1,350 pax)

HW or LW Slack = 113 / 153 days

Masters of deeper drafted vessels may choose not to transit the narrows during LW, particularly Springs which would reduce this total.

Small explorer types – 150 passengers or less

MV Hebridean Princess 72m * 14 * 3m (49 Pax)

Unrestricted = 153 / 153 days.

These vessels are a similar size to the cargo vessels that currently berth at Corpach.

If cruise calls were to reach 4-5 per week, in Captain Graham Vale's opinion, this would justify Harbour Authority or similar support on operational grounds.

A cruise ship anchorage should be designated and this should meet the challenges of relatively deep water.

5.3 Assessment of specific areas

5.3.1 Corran Narrows

- A formal risk assessment would be required by a Harbour Authority to show that the risk of grounding when transiting the Narrows has been reduced to "As Low As Reasonably Practicable". Control measures to achieve this would typically include aids to navigation, pilotage and General Directions.
- In respect of aids to navigation where the Corran Narrows are 120m wide at Corran Point, there is unmarked danger to deeper draft vessels where the 10m contour extends into the fairway.
- There are no leading lights or transit marks for guidance through the Narrows; Corran Point Light sectors do not cover the Narrows.
- Even at High Water where there might be sufficient water past the 10m contour, a cruise liner would need to be aware of a possible increase in draft due to "squat". Ref QE2
- Pilotage might be provided by Glensanda pilots, including the use of boarding facilities. A Harbour Authority would issue Pilotage Directions. An authorized pilot would provide local knowledge and experience not otherwise available to a visiting master. In addition a pilot would be in a position to advise port officials taking bookings for cruise liners.
- There was evidence from the workshop and the Port Inspection that there was currently an issue in this respect. (A pilot emphasized high water

transit of Narrows; a Fred Olsen captain was prepared to consider low water slack arrival).

- General Directions would help to ensure that vessels had passage plans prepared and that the fairway was not obstructed by fishing gear.
- A cruise vessel with a 30m beam would have only 45m clearance either side – arguably insufficient when using speed to overcome wind and tide.
- Parallel indexing should however be possible using Corran Point.

5.3.2 Fort William Anchorage

- A formal risk assessment would be required by a Harbour Authority to ensure that the risk of grounding when anchored off Fort William could be reduced to “As Low As Reasonably Practicable”. Control measures to achieve this might include the establishment of a designated anchorage and short notice availability of pilotage.
- Although towage is not generally available at Fort William, a suitable support vessel might be based at the Underwater Centre to assist in swinging a vessel at anchor clear of shallow water.

5.3.3 Harbour Area

- The area covered by a harbour authority should extend sufficiently far to the south to enable a pilot to complete pilot/master information exchange and take over conduct of the vessel before making final approach to Corran Narrows. To the north it should stretch to the mouth of River Lochy, which would exclude Corpach.
- Corpach should be complying with the Port Marine Safety Code, and therefore has an unfair advantage over other ports that do comply in terms of costs. Authorities might therefore take the view (under pressure) that this port should be included in the new authority.

5.4 MCA involvement or consultation

The Maritime & Coastguard Agency (MCA) would advise any body considering the formation of a new harbour authority, although recent budget cuts would limit the resources they could make available.

They would have a vested interest in encouraging the formation of a new Harbour Authority as it would then delegate some the responsibilities it currently holds for the area to the Harbour Authority.

The MCA would supervise the implementation of the Harbour Authority’s duties in terms of maritime safety – monitoring the implementation of the Port Marine Safety Code. The two entities would agree a division of duties on other responsibilities such as search and rescue.

5.5 Recommendations of the Marine Report

The report recommends that formal marine risk assessments should be carried out focusing on the Corran Narrows transit and Fort William anchorage.

Based on the results of these assessments, a view should be taken on alternative improvements to navigation short of forming a Harbour Authority and its pilotage that are possible, and whether these would be adequate including:

- Approaching the Northern Lighthouse Board for increased navigation aids in response to increased cruise ship activity.
 - Fl R buoy on the 5m contour south of Corran Point light to indicate the 7m tongue extending into the Narrows.
 - Leading lights in the general location of Corran Narrows NE to indicate the 034deg T course through the narrows as shown on chart 2372.

- Additional guidance developed based on the output of the formal risk assessment. Considering “A Code for Safe Navigation in Upper Loch Linnhe” an additional section for cruise vessels anchoring off Fort William’ would be useful. Appropriate headings might include:
 - Calling Corran Ferry before approaching the Narrows.
 - Contacting any outbound vessels.
 - Notice of security exclusion zone.
 - Start and end of passenger tendering operation.
 - Contact procedures with shore personnel.

- A near miss reporting protocol with the agreed custodian likely to be the Highland Council.

- Further market research with cruise lines beyond Fred Olsen on the barrier to increased traffic that lack of pilotage amounts to.

Masters of cruise vessels should take careful note of the recommendations in the Admiralty Sailing Directions regarding daylight transit of the Corran Narrows at high water slack (for vessels restricted in their ability to manoeuvre) and the tidal data on the chart.

Map showing indicative boundaries for Harbour Authority area subject to consultation with pilots on boarding location.



6 Process and options for creation of new Harbour Authority

6.1 Trust or Local Authority Harbour Authority?

The consensus from the second workshop of 8th December on economic issues, attended by Councillors and Council officers as well as stakeholders, was that a Trust structure would be preferred over a Council run Harbour Authority should one be set up.

The cost implications of this, however, could be considerable, with for example overheads for manpower and insurance likely to be greater for a Trust than for the Council. In addition, the Trust would face greater challenges in terms of demonstrating sufficient resource to fund a sustainable harbour operation. If established the Trust would also lack the Council's potential ability to cross subsidise future investment.

The Council, on the other hand, would face a greater challenge in terms of proving, as set out below, that they were the entity with the clearest claim to take on Authority status given the many other infrastructure owners and associated businesses using the loch.

Whilst under the Modern Trust Ports for Scotland Guidance the Trust would operate for the benefit of stakeholders and in effect come closer to the informal arrangements described and approved of by workshop participants, appointments to the Board of Commissioners would be on individual merit and it would not be possible to grant any entitlement to representatives of facilities or businesses around the Loch to sit as Commissioners to the Trust.

In addition to the considerable commitment that individuals would need to make to the running of a Trust (unlikely to be remunerated in a Harbour Authority with this scale of revenue), there is the difficulty in a relatively small community of finding sufficient participants of the right calibre and qualifications given the limitations that the Trust Ports guidance places on length of tenure and re-election.

However, with the clear guidance from stakeholders who are currently operating commercially around the Loch that any charges imposed by a Harbour Authority would be unacceptable, and additional regulations unappealing, it is unlikely that an application for a Highland Council Harbour Authority would progress without substantial objections.

6.2 The process of acquiring Harbour Authority status

Whether applying to become a Statutory or Competent Harbour Authority, an application would have to be made to Scottish Ministers via Transport Scotland to use their powers under section 16 of the 1964 Harbours Act for a Statutory Harbour Authority, and the Pilotage Act 1987 for Competent Harbour Authority status and powers.

The process for a Statutory Harbour Authority empowerment order is clearly laid out in guidance provided by Transport Scotland and summarised below.

Advice from those with equivalent facilities who have recently gone through this process suggests that it is more onerous than the process set out would suggest and that it can be expected to take five years in total.

Transport Scotland will expect stakeholder consultation to be thorough and for all grounds for objection to have been resolved before beginning the formal process with an extensive programme of consultation.

The other element they will need to be convinced of is the capability of any entity to take on the role of Harbour Authority and the strong case for that particular entity to take the role. This can be interpreted as being the entity with the main if not sole interest in the use of the body of water in question. This may be challenging for a proposed Harbour Authority on Loch Linnhe where there are multiple interests in the use of the area for widely varying purposes.

6.2.1 Pre-application consultation

Meetings with Transport Scotland to discuss the procedure and drafting would be required, including the proposal of a consultee list

6.2.2 Assessment of Environmental Impact

This requirement would not be triggered for Loch Linnhe as the intentions behind setting up a Harbour Authority have been understood for this study. An Environmental Statement would be required only where the project would be categorised under the Environmental Impact Assessment Directive (85/337/EEC). As no infrastructure development is planned, nor any of the other activities in Annex I or II of the Directive, nor activities that would cause national legislature to consider an EIA under Annex III, this stage of the process would not be required. This would also reduce the number of statutory consultees for the first stage of the process, removing SNH and SEPA from the list suggested in the Directive.

6.2.3 Draft orders

Legal advice would need to be taken at this stage in drafting the order. (The Royal Yacht Association assisted with the drafting of the Order for Lochboisdale in addition to South Uist Estate's own lawyers).

This is the point at which full justification would need to be provided for the powers, and for those powers to be vested in the applicant with reference to the 1964 Act.

6.2.4 Formal application

Notice must be given in set publications of a formal application, from which point objectors have 42 days to lodge their objections.

6.2.5 Consultation

Although ideally handled in earlier stages, Scottish Ministers may still at this point order that copies of the draft order are served on further consultees.

Although objectors have a 42 day limit to raise objections, there is no set limit to the time allowed to resolve them. Transport Scotland review the status of

objections with the applicants after the 42 days, when all have been lodged, and it is up to the applicant to determine the timeframe to resolve them.

Not all objections have been resolved in the recent Harbour Order applications that we considered for this report, and Ministers have yet to return decisions on these, except at Nigg where the objections were successful and the application was refused.

The process for dealing with unresolved objections has a cycle of written submissions and responses lasting over three months after which the Ministers will make their determination with no specified timescale for this.

Applications have been withdrawn at this point after five years of process.

6.2.6 Preparation required

The Navigational Risk Assessment, Safety Management System and Port Safety Code will all need to be complete and in place before the Harbour Order can be enacted, with all the management, stakeholder and professional advisors time that these will entail. There will also be fees due to Transport Scotland to pay for their external legal advisors.

6.3 Alternative approach of adding Loch Linnhe to Highland Council's existing Harbour portfolio

This would involve adding Loch Linnhe to the Schedule of harbours powers granted under the Highland Regional Council (Harbours) Order Confirmation Act 1991.

Whilst this might save some time and legal expenses in drafting harbour orders, it would still be required to go through the same consultation process, which would create a similar timescale.

The adjustments and exceptions to the powers set out in the existing Act that may be required to come to agreement with objectors, or to accommodate the particular circumstances on Loch Linnhe, might entail substantial redrafting.

6.4 Application for Competent Harbour Authority status

This would also be via Transport Scotland as a devolved matter and could only be initiated once SHA status had been secured. Very few have been granted since devolution, and there is no clear practical necessity for the status, so guidance notes are not published. Campbeltown and Perth have both succeeded.

Assuming that all consultations were carried out in tandem with the process for the SHA, the timescale would be determined by the provision of evidence of competence and pilotage provision arrangements and the time taken for Ministers to determine the matter.

6.5 Practical effects of Harbour Authority status

In addition to the navigation issues considered above, and financial consequences assessed later in the report, there are further potential impacts of the legal powers granted by statute to Harbour Authorities including:

6.5.1 Wreck removal

In the event of a wreck or other obstacle to shipping in the Loch, no local entity currently has the authority to remove it, the legal powers to levy charges for costs incurred or the resulting ability to insure against any shortfall. Harbour Authority status, either Local Authority or Trust, would come with these responsibilities and liabilities and also grant the related powers. Currently, the MCA is the responsible body.

6.5.2 Licensing of works

Further investigation would be required to establish the comparative advantages and disadvantages of the regime under which past aquaculture, fixed mooring and pontoons have been installed in the Loch, and the alternative of a Harbour Authority licensing those works.

6.5.3 Hydrography surveys

In Harbour Authority areas with dredging requirements, there would be an obligation to survey the seabed every 3-5 years according to the conservancy code, maintaining the control depth being the objective.

Whilst depth makes this irrelevant in most parts of the loch, the approach through the narrows could create some surveying obligations.

A bilateral agreement with the UK Hydrographic Office would give access to existing data in exchange for any new data collected.

6.5.4 Accommodation of customs

The existence of a Harbour Authority is likely to carry with it the obligation to provide accommodation to Customs and Excise, which is why some schedules of charges include the passing of these costs to the vessels that trigger them. With increasing cruise activity, the costs and practicalities of providing the required security would need to be considered. Any vessel that has called at a port outside the UK within its previous ten calls has to be reported by the Harbour Authority.

6.5.5 Ability to detain

The ability to detain vessels in order to obtain reparations in the event of damage, loss or breach of byelaws may provide benefit to providers of facilities around the Loch.

6.5.6 Pollution response

The obligation to have regulations and responses in place to potential pollution incidents also brings the possibility of insuring against the costs of such incidents including their impact on local stakeholders.

6.5.7 Broader liability issues

The existence of a Harbour Authority with statutory duties to manage risk inevitably creates a target for potential claims. With increased cruise ship calls proposed and rapidly escalating personal injury claims over the last few years, the current allocation of these risks and liabilities should be considered as well as the costs of managing and insuring against them in a new Harbour Authority.

6.5.8 Additional factors in relation to Competent Harbour Authority status

The case of the Sea Empress incident in Milford Haven set precedents on liability for the Harbour Authority that create a substantial risk of loss to the Harbour Authority even where a vessel is piloted.

For a standalone trust harbour, this liability would ultimately be limited to their insurances and then total resources, which would be fairly negligible in this context.

If operating as part of Highland Council, however, tens of millions could be at risk for excess cover, and the extent of the liability under pilot covers if employing pilots directly should be considered. Company structures are used elsewhere to limit the assets at risk.

7 Economic Impact

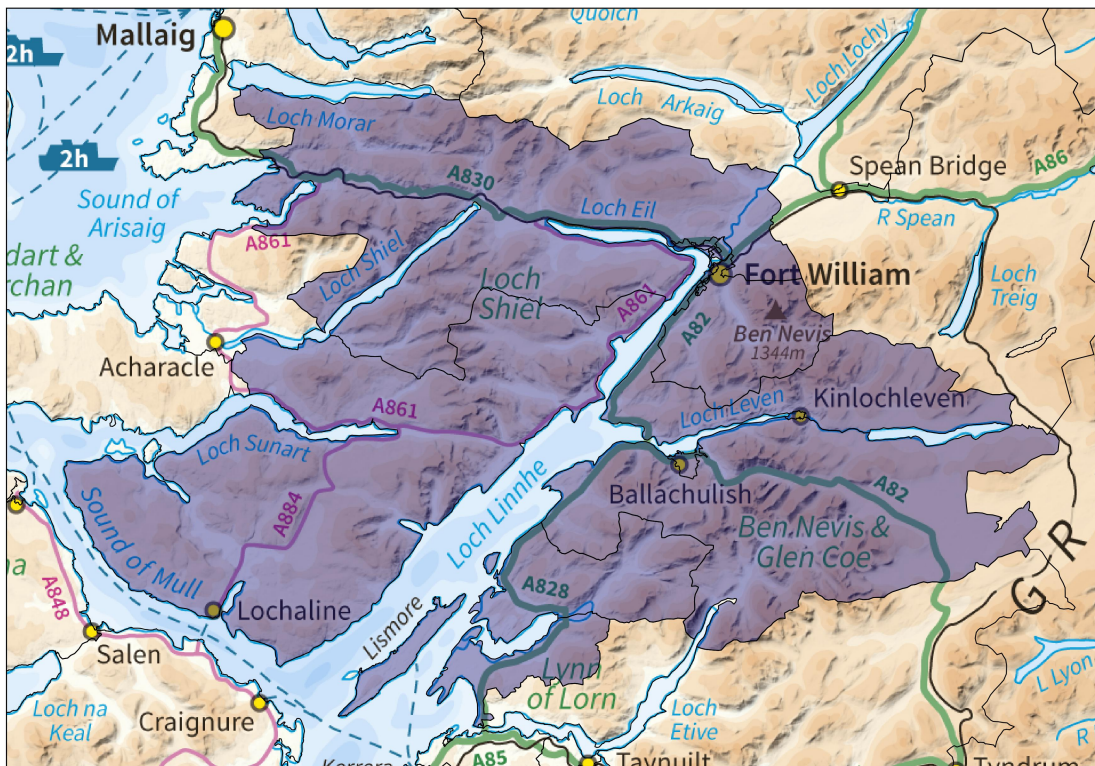
7.1 Socio-Economic Context

7.1.1 Baseline evaluation

Fort William is the largest settlement in the West Highlands, and, as such, has a vital role in servicing the wider community. Benefitting from access to the sea, the Caledonian Canal and rail connections to Glasgow and Mallaig, Fort William is well connected, and proximity to popular tourist attractions such as the West Highland Way, the Great Glen Way, Ben Nevis, Glencoe and Loch Ness, has made it a popular tourist attraction.

The area has a growing population and increasing levels of employment. Along with tourism, manufacturing and primary industries are important elements of the local economy, and the area has a low proportion of its workforce employed in the public sector, making it potentially susceptible to private sector shocks. Unemployment in the area is low, although with a high element of seasonality, making year round, full time jobs in the area of particular importance.

Below is a map of the wider travel to work area, which we have defined for the purposes of this socioeconomic analysis. Separate figures for the settlements of Fort William and Corpach are also given below.



7.1.1.1 Population and economic activity

Population

Population and Population Change, 2001, 2011 and 2014

	2001	2011	2014	2001-11 % Change	2011-14 % Change
Wider Area	16,028	16,879	16,736	5.3	-0.8
Highland	208,914	232,132	233,100	11.1	0.4
Scotland	5,062,011	5,295,403	5,347,600	4.6	1.0

Source: Census of Population, NRS Mid-Year Population Estimates

The population of the wider Loch Linnhe area increased by 5.3% between 2001 and 2011, which was higher than the increase in Scotland (4.6%) but lower than the increase in Highland (11.1%). However, between 2011 and 2014, mid-year population estimates indicate that the population of the area decreased by 0.8%, in contrast to modest increases in Highland (0.4%) and Scotland (1.0%).

The settlements of Fort William and Corpach made up 62.3% of this wider area in 2014 (with a population of 10,429), and experienced similar changes in population – an increase of 5.7% between 2001 and 2011, and a decrease of 1.2% between 2011 and 2014.

Economic Activity and Employment Structure

The settlements of Fort William and Corpach represent a regional employment centre and attract workers from a wide radius due to a lack of employment opportunities in the wider Lochaber area. Therefore, we have used the labour market in the wider Loch Linnhe area for this analysis, as defined above.

Economic Activity by Type, 2011

	Wider Area		Highland	Scotland
	Number	%	%	%
All people aged 16 to 74	12,336			
Economically active: Employee: Part time	2,061	16.7	15.2	13.3
Economically active: Employee: Full time	4,844	39.3	39.5	39.6
Economically active: Self-employed	1,396	11.3	11.0	7.5
Economically active: Full time student	217	1.8	1.9	3.7
Economically active: Unemployed	447	3.6	4.0	4.8
<i>Unemployed people aged 16 to 74: Aged 16 to 24</i>	<i>123</i>	<i>1.0</i>	<i>1.1</i>	<i>1.4</i>
<i>Unemployed people aged 16 to 74: Aged 50 to 74</i>	<i>100</i>	<i>0.8</i>	<i>0.9</i>	<i>0.9</i>
<i>Unemployed people aged 16 to 74: Never worked</i>	<i>25</i>	<i>0.2</i>	<i>0.4</i>	<i>0.7</i>
<i>Unemployed people aged 16 to 74: Long term unemployed</i>	<i>149</i>	<i>1.2</i>	<i>1.4</i>	<i>1.8</i>
Total Economically Active	8,965	72.7	71.5	69.0

Source: 2011 Census of Population

As would be expected in an area with high levels of tourism, part time employees and self-employed workers made up a greater proportion of the workforce than in Highland and Scotland. Those in full time employment accounted for 39.3% of all people aged 16-74 in the local area, similar to the rates in Highland (39.5%) and Scotland (39.6%), possibly indicating a lack of full time opportunities in the area. Overall economic activity was however higher in the local area (72.7%) than in Highland (71.5%) and Scotland (69.0%).

Economic Inactivity by Type, 2011

	Wider Area		Highland	Scotland
	Number	%	%	%
All people aged 16 to 74	12,336			
Economically inactive: Retired	1,987	16.1	16.0	14.9
Economically inactive: Student	314	2.5	3.2	5.5
Economically inactive: Looking after home or family	435	3.5	3.8	3.6
Economically inactive: Long term sick or disabled	470	3.8	3.9	5.1
Economically inactive: Other	165	1.3	1.7	1.9
Total Economically Inactive	3,371	27.3	28.5	31.0

Source: 2011 Census of Population

The area is a popular retirement destination, with 16.1% of those aged 16-74 retired, compared to 16.0% in Highland and 14.9% in Scotland. The area also had an older population structure than Scotland, with 20.8% of the population aged over 65, compared to 18.1 in Scotland.

Employment by Sector, 2014

	Wider Area		Highland	Scotland
	Number	%	%	%
Employee Jobs by Employment Type				
Full time	5,600	63.5	62.8	67.5
Part time	3,200	36.5	37.2	32.5
Employee Jobs by Industry				
Primary Services	500	5.2	1.9	1.9
Energy and Water	100	1.1	2.3	1.5
Manufacturing	900	10.6	6.6	7.7
Construction	600	6.4	6.1	5.7
Services	6,700	76.6	83.2	83.2
<i>Wholesale and retail, including motor trades</i>	<i>1,200</i>	<i>13.7</i>	<i>15.4</i>	<i>15.0</i>
<i>Transport and storage</i>	<i>500</i>	<i>6.1</i>	<i>5.3</i>	<i>4.2</i>
<i>Accommodation and food services</i>	<i>1,500</i>	<i>16.5</i>	<i>10.9</i>	<i>7.3</i>
<i>Information and communication</i>	<i>100</i>	<i>0.7</i>	<i>2.0</i>	<i>2.5</i>
<i>Financial and other business services</i>	<i>700</i>	<i>8.3</i>	<i>12.9</i>	<i>19.4</i>
<i>Public admin, education and health</i>	<i>2,300</i>	<i>25.8</i>	<i>32.1</i>	<i>30.7</i>
<i>Other Services</i>	<i>500</i>	<i>5.5</i>	<i>4.6</i>	<i>4.2</i>

Source: Business Register and Employment Survey

Note: Numbers are rounded to the nearest 100

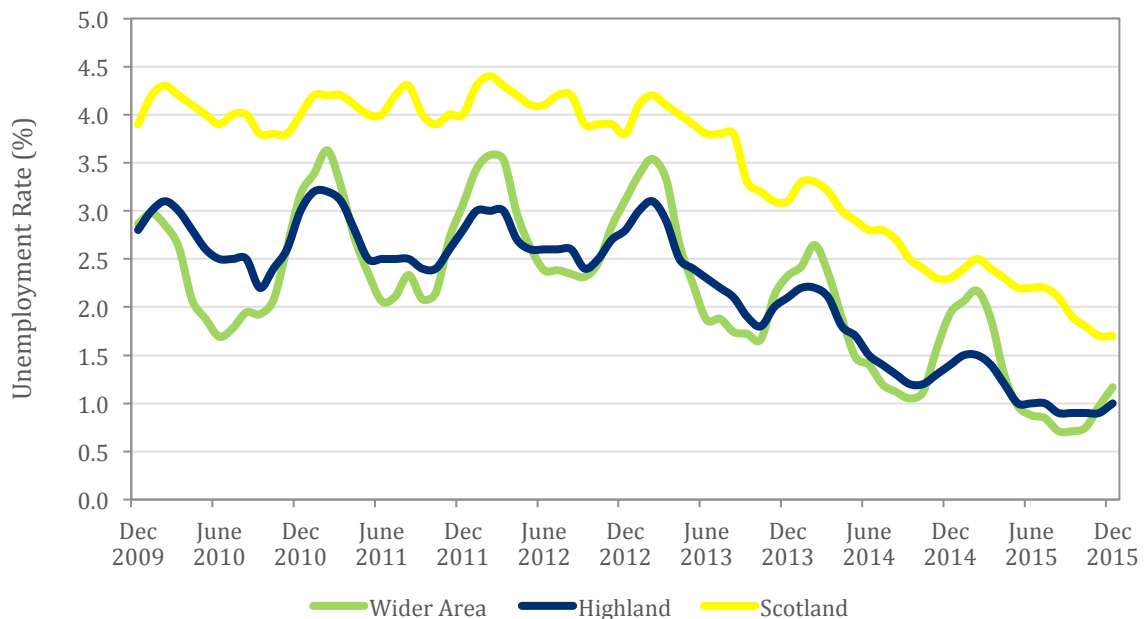
The Business Register and Employment Survey found that there were 8,800 jobs in the wider Loch Linnhe area in 2014, an increase of 9.7% from 2010 levels (greater than the increase of 4.6% recorded in Scotland overall).

A greater proportion of the workforce was employed in the primary sector (5.2%) in the local area than in Highland and Scotland (both 1.9%) and manufacturing was similarly more important (making up 10.6% of employment in the local area, compared to 6.6% in Highland and 7.7% in Scotland). The services sector was correspondingly proportionally smaller, making up 76.6% of the workforce, compared to 83.2% in both Highland and Scotland. Excluding the public sector, accommodation and food services (a proxy for tourism) was the largest sector within services, accounting for 16.5% of total employment (compared to 10.9% in Highland and 7.3% in Scotland). Transport and Storage was also proportionally higher in the local area (employing 6.1% of those in employment) compared to Highland (5.3%) and Scotland (4.2%).

Appendix 2 identifies 520 FTE jobs in companies with activities that relate to the loch, the majority of which are full time, local jobs. This represented around 9% of all full time jobs in the wider area as defined for this analysis in 2014.

Unemployment

The following chart shows the unemployment rate between December 2009 and December 2015 in the wider Loch Linnhe area, Highland and Scotland



Source: JSA Claimant Count
 Note: Rate is proportion of the population aged 16-64

The proportion of those aged 16-64 claiming Job Seekers Allowance in the local area has been similar to that of Highland overall, although with the seasonality of unemployment more pronounced. This will be further compounded by migrant workers who come to fill positions in the summer months, but don't remain in the local area claiming unemployment benefits in the winter time.

Although the unemployment rate has been consistently below the Scottish rate over the past five years, any shock to the local economy could have a devastating impact on the local community. In January, Rio Tinto also announced that they are conducting a strategic review of their operations at the Alcan site, which could result in 170 job losses in the aluminium smelter and hydroelectric plant (in the Fort William and Kinlochleven areas). Also, Marine Harvest announced that they are looking to cut up to 100 jobs across their Scottish operations (their processing factory in Fort William employs around 150 people²).

The datazone of Ardgour, Sunart and Morvern (in the wider Loch Linnhe area) was classified as fragile by Highlands and Islands Enterprise). Other datazones in the local area were excluded from fragility status due to their proximity to Fort William (a mid-sized service centre). Two datazones in Fort William were in the top 25% of most deprived datazones in Scotland.

7.2 Marine activity on Loch Linnhe

7.2.1 Oil and gas

The Underwater Centre has been training workers for the subsea sector and helping companies undertake sea trials for over 40 years. The Centre works in close cooperation with the oil and gas sector, and has received equipment and technical support from companies such as Fugro, Technip and FMC Schilling Robotics in recent years, with industry stakeholders also actively involved in the syllabus development. Along with commercial diver training, the Centre also runs ROV pilot technician training, and sea trials of equipment.

7.2.2 Ship repair and marine engineering

In operation for over 20 years, the Corpach Boatbuilding Company provides services to both leisure and commercial customers, and, due to their location adjacent to the entrance to the Caledonian Canal, can provide services to both the east and west coasts of Scotland. The company is involved in designing and building boats, repairs and maintenance, refurbishments and alterations, marine engineering, surface coating and boat delivery. Commercial clients include fishing vessels, fish farm workboats, ferries and other commercial craft, as well as private yachts and onshore engineering projects. Their facilities are the largest between Stornoway and the Clyde, their two slipways can cater for vessels up to 200 tonnes and their covered boatshed can accommodate vessels up to 35 meters in length. They also offer a repair and breakdown service to yachts/boats in transit through the Caledonian Canal.

7.2.3 Cruise

With cruises mainly in the Hebrides but also in Europe, the 72m long Hebridean Princess calls six times a year. The vessel has 30 rooms, accommodating a maximum capacity of 50 guests, and 38 crew members.

Crannog Cruises run four cruises a day around Loch Linnhe in the summer months. Food can be provided on board, or lunch and dinner in their lochside Crannog Restaurant can be bought as part of a package.

² Not included in the jobs total of 520 FTEs above, as this is not dependent on the Loch.

Based to the south of the proposed harbor authority area, Hebrides Cruises runs cruises throughout the west coast of Scotland, with one cruise in the Loch Linnhe area.

Caledonian Discovery run cruises from Banavie (just outside Fort William) to Inverness along the Caledonian Canal. Their two barges each have a maximum of twelve guests and only a small part of their visitor offering is based on Loch Linnhe, with most of the time spent on the Canal.

Of the larger cruise vessels, there has been around one visiting annually in recent years, however this activity is growing with six vessels booked for 2017. The Adonia, which visited in 2015, is the largest cruise vessel that has visited to date, with a length of 180 metres and a maximum capacity of 710 guests. Fred Olsen's Boudicca (with a standard occupancy of 880) is scheduled to visit in 2016.

7.2.4 Aquaculture

Global fish farming company Marine Harvest have two fish farms in the local area, benefiting from the sheltered marine environment. They also have a large processing plant in Fort William, responsible for a large number of local, full time jobs. In June 2015 the company moved into larger office premises.

Operating from their own pier in Loch Eil, FassFern Mussels produce rope grown mussels in sites in Loch Eil and Loch Linnhe. Due to their sheltered location, they are able to provide an almost uninterrupted supply of mussels throughout the year.

7.2.5 Ferries

Operated by Highland Ferries on behalf of Highland Council, the passenger ferry crossing from Fort William to Camusnagaul makes nine crossings a day.

The Corran Ferry runs every twenty to thirty minutes throughout the day, with two vessels covering the route. In the busier periods during the summer the vessels effectively run a shuttle service.

7.2.6 Timber and general cargoes

BSW is a major employer in the local area. The Fort William Sawmill lies 5 miles to the west of Fort William and produces 250,000 cubic metres of sawn timber annually. Timber is transported to and from the sawmill by sea and by land.

Great Glen Shipping Company was originally set up to transport timber up and down the Caledonian Canal, and has since purchased costal vessels and now ships timber and other bulk cargoes throughout the west coast of the UK and Ireland. The ethos of the company is to provide a vital logistics link to the Highlands and Islands with a core focus of removing lorry traffic from the Highlands road network.

The port at Corpach is operated by CLYDEBoyd Fort William Ltd, a joint venture between Clydeport and Boyd Brothers (Haulage) Ltd. The port offers staff with knowledge and experience in handling forest products, dry bulk and project

cargoes. Their facilities include mobile general purpose and logging equipment, quay areas and dedicated storage for forest products, agricultural, general, project and bulk cargoes

Based in Corpach but operating their vessels out of Kishorn Port, Ferguson Transport and Shipping provide shipping by sea, road and rail as well as port services at their Kishorn Port. They provide key shipping services to the fish farming industry, including transportation of fish feed, workboats and delivery of sea lice removal treatments.

7.2.7 Leisure craft

The area is popular with leisure crafts, with the sheltered waters of Loch Linnhe and Loch Eil providing good sailing conditions and the Lochaber scenery providing an interesting backdrop.

The Loch Linnhe Marina is to the south of the proposed harbor authority area, although boats from the marina are likely to sail in the area. Their facilities consist of a pontoon (although only suitable for use in calmer weather), 50 moorings, small boats, storage facilities and a slipway.

The Lochaber Yacht Club, based just south of Fort William, has a slipway providing its 140 members with access to the water. The club has a large number of dinghies and a small fleet of keelboats. Local moorings are run by the Achintore Moorings Owners Association.

Local businesses Rockhopper Sea Kayaking, Wilderness Guides Canoeing and Paddle Lochaber provide kayaking and canoeing trips and tuition in the local area, as well as trips further afield.

7.3 Prospects for growth and new activity

7.3.1 Oil and gas

Oil and gas is a challenging market to sell services to currently with the drop in oil price of 70% since mid 2014. Margins at all levels of the supply chain are under severe pressure and job losses have been extensive. Oil and Gas UK reported in the autumn of 2015 that there had been a 15% drop in employment, with direct, supply chain and indirect employment falling from 440,000 to 375,000.

Mitigating this picture slightly in the Loch Linnhe context are two factors:

- The expectation amongst major players such as Shell that prices will recover to double current prices over the next 18 to 24 months, with their recent purchase of British Gas based on this.
- The particular skills shortage in the Underwater Centre's area of expertise with the age profile of the current workforce likely to create a lack of manpower when prices and activity recover.

In the meantime many companies will struggle to survive.

7.3.2 Ship repair and marine engineering

The slipway at Corpach Shipbuilders currently accommodates vessels of up to 200 tonnes. They have successfully won business maintaining ferries operating around the Western Highlands as well as broader business.

The size of the vessels in the ferry fleet is increasing, with a programme of replacement running alongside an ambitious programme to decarbonize Scottish ferries and build a specialist shipbuilding capability in Scotland.

To maintain their role in this sector, Corpach Shipbuilding will require a larger slipway. The alternative is greater diversification of their client base.

The facilities, skills and credentials required for ship repair translate directly into the operations and maintenance role for the marine energy sector and are therefore strategically valuable in addition to their immediate benefit in terms of economic impact.

7.3.3 Cruise liner trade

The Fort William Marine and Shoreline Association have recently secured funding for floating pontoons in Fort William. The plan is to build two 39ft by 13ft pontoons, with a 78ft bridge, ready for the 2016 season. It is hoped that the new pontoons will attract more cruise liners (by having better facilities for landing their tender boats) and leisure craft to the town.

Whilst this is a sector that has exhibited consistent growth over the last decade, particularly in Northern Europe, creating the potential for increased activity at multiple ports, it should be acknowledged that there is also likely to be displacement of vessels from Oban in the event of increased calls at Fort William. Both offer anchorages with tendering ashore, and are less than 30 nautical miles by sea and less than 45 miles by road away from each other, thus offering similar catchment areas for onshore excursions.

Cruise lines' business models vary across the industry, but most of the main operators make a large part of their profits from the markup they charge on excursions. Stunning scenery as viewed from the ship will generate useful reviews for the cruise line, but the shore offering will be key to the profitability of a call at Fort William. It is worth considering what excursions are within a catchment area for day trips by coach and how many of these attractions are also within the catchment area of Oban or Greenock.

Cruise lines designate ports of call as "bankers" and "marquee" ports. The latter are those that generate bookings for a cruise itinerary, whilst "bankers" are the calls that generate excursion income for the cruise line.

The scenery that cruise passengers see in the sail up the loch to Fort William could be considered a "marquee" attraction, particularly as the Norwegian fjords reach maximum capacity for cruise ships, but it is more likely that Fort William will be evaluated as a "banker", making the availability and popularity of shore excursions the key factor in drawing greater calls.

There are many variations even within Scotland on the approach taken to increasing cruise activity. Orkney Islands Council has a business development officer who has built up a network of cruise sector executive contacts by direct visits to Miami headquarters, as well as conference attendances, resulting in over 100 calls this year. An alternative approach was taken at Invergordon where the Harbour Authority formed a joint venture with a private company (Bannermans) to market their facilities. Whilst their offering is similar to Orkney's in terms of berthing large ships alongside, their cruise numbers have been more erratic and the port has not seen the same growth.

Growth in cruise ship visits through active marketing might at least equal that by others offering a tender ashore call in a remote area with high impact scenery. Tobermory has installed two pontoons, one ten years ago and a second five years ago, and has built up cruise calls substantially. They have 27 calls booked in 2016, with three calls from the Astoria and three from the Seabourne Quest, calls from the Boudicca, and multiple visits by the Hebridean Princess.

The size of vessels that might visit Fort William were assessed in the Navigation Report, which considered the number of days per season that the Loch would have tides suitable for cruise ships to cross the Corran Narrows. These are the days within a summer season of 153 days in which the tidal window coincides with the schedules that cruise ships keep to in order to provide a full day at any one port of call in order to maximize excursions revenue. These are summarised above in the navigation section. This does not attempt to estimate the number of days during which the weather may be unfavourable, with either high winds or fog making the Corran Narrows impassible for these vessels. It should also be noted that the largest size shown, the Britannia may be limited by the number of alongside berths available to her, reducing the number of itineraries that might include Fort William as well as the Corran Narrows presenting a navigational challenge.

We also need to consider the shoreside capability to absorb this number of passengers in one call. The 4,324 passengers on board the Britannia would be challenging to absorb for day excursions, requiring 86 coaches with 50 passengers if they were all to alight and take these.

We have therefore modelled various mixtures of vessel types and calls, and for the medium term would consider the Balmoral, considerably larger than the Adonia (so far the largest to call at Fort William), as representative of the largest vessels likely to call.

The economic impact of cruise visitors varies widely depending on the spending potential at the port of call. Factors impacting on this can include such mundane practicalities such as the availability of coaches and whether the passengers' lunches are included in their cabin price which encourages half day tours. Weather, especially if tendering ashore is another factor. The crew spend can also be significant.

One of the key limitations on economic impact is the 100% markup charged by cruise companies on the excursions taken by their passengers. This income is an important part of their revenue stream.

Therefore the cost of any excursion has to include a profit margin for the excursion company contracted to the cruise company, and this markup due to the cruise company. Crew spend has a more direct impact.

The most recent analysis for Orkney in 2013 showed an economic impact per passenger of £60.78 if crudely dividing the total impact of £3.1million by the 51,000 passengers in that year. This is greater than the impact in Fort William would be because most cruise ships in Orkney berth alongside increasing:

- the port dues which by 2014 had exceeded £1m
- the proportion of passengers that come ashore from any one vessel
- the services that can be offered such as water and supplies

Total impact for the medium scenario for Fort William would therefore be substantially below £320,000 per year once 13 calls per year had been reached and from this figure there would have to be an allowance for displacement from Oban.

7.3.4 Aquaculture

Marine Harvest have recently announced reductions of up to 100 employees across their 50 sites in Scotland from a workforce of 658 people. They cited overrun of costs on their Rosyth plant as one of the reasons for the restructure but also changes in wider industry conditions.

They are however, looking for a site for a fish feed factory of 170,000 tonnes capacity with an expected investment of £80m, illustrating that it is restructuring rather than in decline.

7.3.5 Timber and general cargos

Part of the growing market for timber products shipped out of Corpach by BSW is the London and South East construction market serviced from the facility at Tilbury. This is of course dependent on a continuing recovery in the construction sector which is in turn dependent on continuing government subsidy both direct and indirect with 30% of newbuilds selling with assistance from Help to Buy on which the government has spent £2.7bn so far. They have promised to maintain this support to 2020 and so far the share prices of house builders reflect confidence in this assurance.

7.3.6 Leisure craft

There is potential for further marina development in Fort William in addition to the visitors' facilities that the new pontoon will provide.

7.3.7 Potential future markets

7.3.7.1 Marine renewables

Expectations of commercial deployment of wave and tidal stream devices have slowed substantially in the last five years. There are still early stage arrays progressing, however, and the Loch may present tidal stream opportunities in the medium to long term future. With the transfer of the seabed from Crown Estate management to either Marine Scotland or Local Authorities, with the possibility of aligning with Harbour Authority areas, there is the long term potential to reduce layers of regulation and administration for energy generation projects, and to capture revenue that would help maintain a Harbour Authority.

7.3.7.2 Cruise berthing

If the Underwater Centre Pier were to be developed as an alongside berth for larger cruise vessels, the port dues and economic impact would increase substantially per vessel, as well as the likely increase in number of calls.

Whilst Invergordon and Hatston in Orkney are interesting benchmarks for this sector of cruise, with the ability to berth large vessels alongside, the Corran Narrows would limit the size of the vessels hosted at Fort William in comparison, such that the revenues in Orkney from cruise ship port dues of over £1m in 2014 would be unobtainable even with a berth. Economic impact in Orkney was estimated at £3.1m in 2013, the first fully operational year using the new Hatston pier.

Infrastructure enabling the berthing of cruise ships alongside is however potentially valuable, and the possibility should be assessed, giving higher revenue potential through port dues, an increased number of ships calling, and an increase in economic impact ashore given the higher proportion of passengers and crew who would come ashore if alongside.

8 The financial viability of a Harbour Authority

8.1 Potential revenues

8.1.1 For transit and anchorage

It was established in the workshops that existing users of the loch are not in a position to bear additional costs for their established transit use of the loch. In particular, freight subsidies are required to enable the transfer of road haulage of timber to sea transport, and both aquaculture and oil and gas businesses are needing to cut costs to increase productivity and competitiveness.

It was agreed that Harbour Authority fees for Loch Linnhe would apply only to the cruise vessels by applying a charging framework that focuses on passenger numbers.

If the Harbour Authority were to operate as part of Highland Council's Harbours Division, the charges would need to be consistent with their published Schedule of Rates and Dues.

If the Council's charges under berthage were not to apply to transit through Harbour Authority areas if not coming ashore at one of its facilities, then the existing activity at Corpach could be excluded from any charge entirely consistently.

However, the charging structure would need to be amended to enable vessels anchored for dive training purposes to be specifically excluded.

If the Harbour Authority were to operate as a standalone trust, a new charging structure could be developed to meet the strategic objectives of maximizing broader economic activity as well as sustaining the Harbour Authority. It is assumed that the same decision to exclude all but cruise ships from any charges would still apply.

8.1.2 Charges for coming ashore

Highland Council rates for passengers landing at their facilities are 48p per passenger (29p per child), but at Fort William such a revenue stream would go to the community owned pontoons currently under construction.

Proposed charges are £2 per passenger and crew member on board rather than per individual using the pontoon, although this might need revision when benchmarked against current charges at Oban, which offers the nearest alternative landing for similar shore excursion offerings and charges £76.48 plus 35p per passenger on board.

Security charges would be additional and are charged at cost in Oban. Security could be provided either by Highland Council who already comply with ISPS requirements at Portree or by private contractors such as Marprot who provide security at Orkney and Oban amongst other places. If being passed on at cost, the main impact would be on the level of other charges that would be acceptable to cruise lines when considering the full per passenger cost of a call at Fort William.

8.1.3 Pilotage

Pilotage would be provided through a third party as there would be insufficient volume of activity for a dedicated service. The most suitable option is the Glensanda pilots, and the related revenue would accrue to them. Competent Harbour Authorities elsewhere take 10% of pilotage costs as an administrative charge but this is also for provision of the pilot launch. The level of activity at Loch Linnhe would not justify the capital expenditure of a launch boat or crewing, and the Glensanda pilots have agreed a hire arrangement for the Glensanda launch.

The initial suggestion was for 5p per Gross Tonne, but this quickly reaches high fees on larger vessels, and Glensanda pilots have provided a revised charging structure which gives a flatter charging structure, with Britannia, the largest modelled, at £9,150, including the cost of the pilot launch and crew to board and disembark.

8.1.4 Towage

It was considered unlikely that towage services would be required by cruise ships but where deemed necessary to hold position at anchor, this would be an additional, per hour cost paid to a third party with no revenue to the Harbour Authority. Tugs are charged at £1,200 per tug, per act to the cruise sector in Orkney. Rates are extremely variable depending on location and local availability of vessels.

8.1.5 Benchmarking for likely market prices tolerance

Facilities against which Fort William should benchmark any charging levels would include Oban (for the reasons above), Portree and Tobermory, which also offer anchorage with tendering ashore in a West Coast itinerary, and Orkney's anchorage rather than its deep water berth.

Tobermory, a community owned facility currently applying for Harbour Authority status in order to take underused assets in hand, declined to share information on their fees with anyone but cruise ships' agents.

Oban, also in the process of applying for harbour authority status for operational reasons, charge 35p per passenger and a small slipway charge which gives a total of £1,590 for the largest ship that could access Loch Linnhe, the Britannia, plus security charges at cost.

Portree applies the Highland Council tariff.

Orkney was therefore identified as the benchmark for acceptable costs to the industry. They already have Harbour Authority status and are particularly successful within the cruise sector. Measured against their tariffs and charges to those ships that still anchor and tender passengers ashore, as opposed to using their deepwater berths, Highland Council's schedule of charges were broadly in line when applied to sample ships. We have therefore used this tariff for the calculations on potential revenue.

8.1.6 Summary of charges

Representative sample vessels	VESSELS		CHARGES					BENCHMARKING			
	Gross Tonnage	Passengers	Pilotage	Pilot launch	Anchorage charges at Highland Council tariff	Passenger landing fees to community owned pontoon	Total cost to cruise ship using Highland Council tariff	Charge per pax at Loch Linne on Highland Council tariff	Oban charges	Orkney anchorage and landing charge plus passenger charge	Orkney including pilotage
Small - Hebridean Princess	2,112	50	£ -	£ -	£ 824	£ 100	£ 949	£ 19	£ 96	£ 487	£ 627
Medium - Boudicca	28,551	880	£ 2,028	£ 1,500	£ 2,534	£ 1,760	£ 8,262	£ 9	£ 386	£ 6,854	£ 7,375
Large - MV Balmoral	43,537	1,350	£ 2,777	£ 1,500	£ 3,170	£ 2,700	£10,822	£ 8	£ 551	£10,462	£ 11,215
Very Large - MV Britannia	141,000	4,324	£ 7,650	£ 1,500	£ 4,804	£ 8,648	£24,764	£ 6	£1,591	£33,821	£ 36,085

8.1.7 Summary of potential revenues

Growth and revenue scenarios under Highland Council charging schedule	Days per cruise season with favourable tides in Loch Linne	Total cost to cruise ship	Revenue to HA per call	Calls	LOW	MEDIUM	HIGH
					Revenue to HA	Revenue to HA	Revenue to HA
Small - Hebridean Princess	153	£ 949	£ 824	6	£ 4,942	8	£ 6,589
Medium - Boudicca		£ 8,262	£ 2,534	2	£ 5,068	4	£ 10,136
Large - MV Balmoral	113	£10,822	£ 3,170	0	£ -	1	£ 3,170
Very Large - MV Britannia	75	£24,764	£ 4,804	0	£ -	0	£ -
				8	£ 10,010	13	£ 19,895
						23	£ 49,413

Assuming that within five years of installing the new pontoon, Fort William could reach 50% of the capacity that Tobermory has achieved in their 5-10 years of targeting increased cruise business, the “medium” scenario in the table above, the potential revenue would be less than £20,000 to the Harbour Authority using 2015/2016 charges from Highland Council’s published tariff for anchorage.

Oban, and probably Tobermory, are currently only charging small fees for passengers coming ashore as they are not yet Harbour Authorities and, unless all three (including Fort William) proceed to become Harbour Authorities, there is

the possibility that cruise ships will utilise free anchorages rather than those to which charges apply.

8.2 Initial set up costs

Advice from Lochboisdale was that South Uist Estate (Storas Uibhist) had budgeted £50,000 for a 12 month process. Argyll and Bute Council when considering a Single Harbour Authority Application for Oban in order to combine current arrangements, estimated the costs of establishing and promoting a new Harbour Order to be around £200,000 in January 2015.

We would estimate the costs to be around £50,000 for Loch Linnhe based on the components considered below, although this would increase were there to be objections.

The costs below assume a standalone harbour trust, with savings possible if Highland Council Harbours were carrying out the process.

8.2.1 Fees

These would be £4,000 to Transport Scotland plus £7,500 in professional fees for the initial Port Safety Code, Safety Management System and Navigation Risk Assessment. These processes would also have a cost in terms of time and resource for those loch users who had to attend the meetings involved.

8.2.2 Legal costs

£20,000 costs are indicatively estimated by lawyers who have completed the process recently, subject to substantial additional costs in the event of objections.

8.2.3 Project management and consultation processes

The pre consultation with Transport Scotland and consultation with stakeholders both known within Loch Linnhe and prescribed or recommended by Transport Scotland would absorb substantial time. Assuming that this were not carried out on a voluntary basis by those promoting the trust, we would estimate that a further £10,000 would be required over two years to cover this, with further costs if objections prolonged the process.

8.3 Operational costs for a Harbour Authority for Loch Linnhe

8.3.1 Staffing

To cover the area from the Corran Narrows to a point south of Corpach and the Underwater Centre Pier, the main activities to take into account would be the Corran Ferry, traffic to and from Corpach, and seasonal passenger vessels.

This would require a part-time Harbour Master to convene Port Marine Safety Code meetings, conduct risk assessments, carry out investigations and be present for the arrival of large cruise vessels – also to oversee pilotage provision and exemption certificate process if through a statutory authority.

“The post holder must be competent and a suitably qualified person, with sufficient experience for the role. They must also be competent to undertake other relevant

duties, in relation to Health & Safety at Work and Merchant Shipping legislation”.
Port Marine Safety Code

Whilst it is no longer the case that Harbour Masters always have a Master Foreign-Going Certificate and have sailed in command, and port authorities are now able to set their own standards, the Harbour Authority would be expected to apply the following guidance:

“To ensure that ports employ competent personnel, harbour authorities must: Use the published national occupational standards (or an equivalent set of standards) as a basis for recruiting and developing staff, as part of their training strategy; Apply an agreed assessment methodology to enable the standards to be applied; Review whether existing staff meet the standard; Ensure personnel have the necessary professional qualifications, certificate of competency (or are working towards them); Ensure personnel have enough relevant experience (dry and wet-side) to be effective in the post”. Guide to Good Practice on Port Operations.

This would be likely to involve at least the UKHMA’s Harbour Master Certificate scheme which is approved by the MCA and meets National Occupational Standards.

A small fishing harbour has recently advertised for a Harbour Master at a salary of £20,000, but for an operation involving sizeable cargo and cruise ships in combination with recreational use, the role would be likely to cost closer to the recent Western Isles Harbour Master role (full-time) advertised at £70,000.

If the Harbour Authority were a trust employing directly, it is unlikely that anyone could be secured for less than a 50% role given the flexibility required and “on call” nature of the job. Some consideration would also need to be given to relief or backup cover. Given the potential appeal of a part time role to well qualified locals, we have assumed that a pro rata salary of £25,000 for a half time post could be sufficient to attract an individual of the right calibre, with an additional £7,500 (30%) to cover pension, national insurance and other employment overheads, giving £32,500 in total.

If this requirement were met in the context of Highland Council’s wider activities, then the costs attributable to Loch Linnhe should be lower as there would be wider supervision and support available, lowering the skills base and experience required for the harbour master role to perhaps £12,500 in salary, and £20,000 for employment costs in total to account for national insurance, pension requirements and supervision.

Secondly, a Designated Person would be required. The qualifications for a Designated Person are:

- Appropriate knowledge of shipping, shipboard operations, and port operations.
- Understanding of the design, implementation, monitoring, auditing and reporting of Safety Management Systems.

- Understanding of assessment techniques for examining, questioning, evaluating and reporting.

The Designated Person could be an independent person or an individual in the same company not involved in the marine operation in question.

If the harbour were operating within Highland Council, this cost could be absorbed across its harbours with no additional cost. Provision of this service through a marine consultancy firm would be £6,000 per annum, and lower if a suitable independent person could be secured.

For invoicing and other administration, we would budget £10,000 for a part time post for a trust, with Highland Council assumed able to absorb this within its existing team.

In order to meet the ISPS standards on security, trained personnel would need to be employed, or harbour staff trained. There is a West of Scotland Port Security group through which the training obligations could be met that meets twice a year with the relevant bodies. If this were provided in-house, we have assumed that the charges would pass through to the cruise ships and so have excluded them from the figures to be considered.

8.3.2 Equipment and overheads

Equipment overheads would be fairly minimal, with a mobile VHS system being the only kit required.

We have assumed that there would not be a Harbour Authority vessel.

Office space would be likely to be shared space, preferably at the Corran Narrows to tie in with the ferry activity and staff. £6,000 per annum for office space, suitable for meetings, plus associated costs is therefore considered adequate.

8.3.3 Insurance premiums

Premiums are frequently given as a percentage of Harbour Authority revenue or turnover, which would give a very low cost for Loch Linnhe in theory. However, a cheap cover for Loch Linnhe is considered unlikely for three reasons:

- The presence of cruise ship activity, and particularly if pilotage excess is required
- The fact that turnover would not be representative of the level of commercial shipping activity given the exemption from charges for all bar cruise ships
- The prevalence of minimum premiums and brokerage fees in the insurance markets

Without specifying a programme of cover and terms for a quote, it would be reasonable to assume a cost of at least £20,000 per annum, but a more detailed review of requirements would need to be undertaken once known.

The Highland Council, if the HA were part of their Harbours Division, would be likely to be able to add cover to their own programme more cost effectively per cover, but there would still be costs associated and an additional risk class for the Council's insurers if pilotage were included. We have thus budgeted £10,000 as an estimate.

In both cases we would recommend seeking quotes before relying on these figures.

8.3.4 Hydrography surveys

The cost for this is decreasing rapidly, with new LIDAR systems now operating from the air where previously vessels would have been required in a process taking weeks with single or multi beam sonar systems.

This is not an annual cost, and an average of £5,000 per annum for the intermittent expenditure that might be required would be sufficient.

8.3.5 Future miscellaneous expenses

There is the possibility, recognized in the establishment of at least one similar Harbour Authority, that the existence of a HA may be the catalyst for increased standards in navigation aids and that an HA may be subject to changes in regulatory obligations in future that increase costs.

8.3.6 Pilots costs

8.3.6.1 To vessels

Piloting a vessel into or out of anchorage is quoted by Glensanda's pilots at £600 per call plus 2.5p per Gross Tonne for each passage, i.e. £600 plus 5p per GT in and out of the Loch.

Some of the passenger vessels would require to stay overnight and once their stay exceeds 12 hrs, an additional £100 per hour, up to £600 max for next 12 hours, would apply. Some of the vessels at anchor require the Pilot to stand by on the Bridge during the running of passengers ashore. This service can be provided at £100 per hour.

A launch boat would cost £750-1,000 per trip to board or disembark. The Pilot Exemption Certification process would also carry a cost. In Orkney, with highly paid pilots associated with the oil activity, this is £235 per certificate.

In the summary of costs below we have applied the minimum pilotage services from the above.

8.3.6.2 Pilot costs to the Harbour Authority

Attending the meetings required to meet Harbour Authorities' obligations for safe operations are charged at £650 per meeting on the Forth.

There would be a need for a structure to authorise pilots and pilotage exemption certificates. This could entail a Glensanda pilot demonstrating his competence to pilot vessels to Fort William to a Harbour Master seconded by Highland

Council. Having been authorized as the “first pilot” he could then sit on a panel for authorizing subsequent pilots.

In order for the existence of a Competent Harbour Authority to be cost neutral to the current users of Loch Linnhe, the cost of managing this process for them would need to be absorbed by the Harbour Authority at £235 per certificate assuming that this service could be delivered at the same price as is charged in Orkney.

The additional insurance premiums associated with pilotage are likely to be incurred as soon as a Harbour Authority, on to which liability can fall exists, regardless of whether pilotage is voluntarily employed by cruise ships or imposed by the Harbour Authority.

8.3.7 Costs summary

		Trust £	Council £
Harbour Master	<i>Salary</i>	50,000	30,000
	<i>Employer overheads</i>	15,000	20,000
	<i>Part-time weighting</i>	50%	50%
Designated Person		6,000	-
Administration		10,000	-
Office costs, including rates, heat & light		6,000	6,000
Insurance		20,000	10,000
Fees, including pilots		5,000	5,000
Hydrographic surveys		5,000	5,000
Accountancy & audit		3,000	2,000
Miscellaneous costs		3,000	3,000
TOTALS		£90,500	£56,000

The “most likely” cruise ship income in the short-medium term of just below £20,000 would not cover these costs. We have not modelled the potential revenues from charging current activity on the loch as there is a wide range of variables in terms of charging structures that could be applied and because of the clear consensus in the stakeholder workshops that these charges would place an unacceptable burden on existing businesses.

9 Conclusions

9.1 General conclusion

Growth in cruise activity can be achieved without a Harbour Authority as shown by the increase in calls booked to six for 2017 from a base of around one per annum in recent years and the success of the community group in raising the funds for a new pontoon and attracting these additional calls.

Lack of pilotage may present a limitation on growth in the cruise sector at a later date. If problems are encountered on calls in the next few years, or in the process of marketing the new pontoon and Fort William as a destination, the total impact of these limitations may be sufficient to warrant finding a solution to the pilotage issues as set out below. This may well not require a Harbour Authority.

A Harbour Authority would not be self sustaining in the short to medium term, with:

- Operational costs estimated at £56,000 - £90,500 per year depending on whether it operated as part of the Council, with risks and liabilities associated with pilotage following, or as a standalone Trust port.
- Set up costs at a minimum of £50,000 assuming that the application for Harbour Authority status was not challenged.
- Revenue to the Harbour Authority for the short to medium term estimated at £20,000 (low calls) to £50,000 (high calls) with estimates vulnerable to a relatively low number of client decisions and charging regimes at alternative ports of call.

A Harbour Authority covering the area under consideration would not be justified on safety grounds.

9.2 Specific questions addressed

Addressing the specific questions raised by the potential for Harbour Authority via our local consultation and the wider analysis:

9.2.1 *Is pilotage needed to increase cruise traffic?*

The initial suggestion was that cruise ship activity could not grow without the ability to provide pilotage, and that this would not be possible without a Harbour Authority because of pilots' insurance requirements. However:

9.2.1.1 *On the necessity for pilotage*

- Those marketing Fort William as a destination and dealing with cruise lines stated that the lack of pilotage was not a barrier in the second workshop on economic viability.
- The visiting captain from Fred Olsen thought the Corran Narrows were no barrier to him but that they might be daunting for some of the other line captains.
- Captains of cruise ships considering the route using the publications reviewed for this study would be likely to limit the number of days per year they would agree to navigate the route from the already limited number identified as possible in Graham Vale's navigation report.

9.2.1.2 *On the need for a Harbour Authority in order to provide a pilot due to requirements in pilots' insurance cover*

- Pilots' liability for damage caused through exercising their duties is limited to £1,000 per pilot under the Pilotage Act 1987 within a Harbour Area.
- Pilots view operations outside a Harbour Area as not being covered by this statutory limitation which could expose them to claims that would exhaust any personal resources where currently not covered by their professional insurances.

9.2.1.3 *Conclusion*

Lack of a pilotage service will limit rather than eliminate the potential for more cruise calls in Fort William. If, on further consultation with a wider group of cruise lines and their agents, this is found to form a significant barrier to increasing cruise activity beyond the relatively low levels of visits currently envisaged, or should future calls booked by cruise companies based in Miami encounter problems when local conditions are considered by the captains of the liners, solutions should be sought to address this very specific issue in the insurance markets before setting up a Harbour Authority, with the much greater repercussions and costs that would entail. This could be monitored by Highland Council over the next few years as efforts to attract more cruise visits are stepped up.

9.2.2 Does existing activity on the loch need a Harbour Authority for safe operations?

The area under consideration, from the approach to the Corran Narrows to below the Underwater Centre Pier, would not obviously benefit from the operation of Harbour Authority to improve safety.

A pilotage service was run in the past to Corpach and deemed unnecessary after a short period of operation.

Whilst the processes and responsibilities of a Harbour Authority are designed to reduce risk to “as low as reasonably practical”, referred to as ALARP, they do not eliminate risk and potential incidents.

9.2.3 Would a Harbour Authority be a self sustaining operation with potential to accrue a surplus for investment?

9.2.3.1 In relation to current activity

Current revenues from cruise boats fall far short of covering the costs of running a Harbour Authority either within the Council’s wider Harbours capabilities or as a standalone Trust.

9.2.3.2 In terms of new activity

The causal links between having a Harbour Authority and increased cruise line activity have been addressed above and here we are only considering whether the revenue potentially generated would sustain a Harbour Authority.

With only cruise ships subject to harbour dues, the revenue generated is projected to be less than the costs of operating a harbour authority (see Section 10 below). This is unlikely to change while the offering to cruise ships is anchorage and tendering passengers ashore and alternative harbours offering comparable onshore excursions and scenery on the same cruise routes are charging very little.

Assuming growth continues in the cruise sector and that the number of calls at Fort William can be built up over the next five years, establishing a reliable level of activity, this balance between costs and revenues could change, with the likelihood that the status of Oban and Tobermory harbours will have been established in that time also, with higher charging regimes.

Without a berth for ships to come alongside, the revenues from cruise boats it is possible to obtain over the next decade would, on the most optimistic scenario, provide only a limited profit margin to a Harbour Authority. Insufficient funds would be accrued to support any substantial investment in infrastructure.

10 Recommendations

10.1 On the necessity for a Harbour Authority for safe navigation

10.1.1 Future identification of need

In order to address potential safety issues that could develop in the future, the Council should liaise with Loch users to agree trigger points in terms of shipping volumes or incident levels that would require the need for a Harbour Authority to be re-examined.

10.1.2 Intermediate improvements

Enhanced navigation aids should be considered and a revised set of guidance notes produced that are suitable for cruise line operations. This could be contracted to a specialist, with a supplement to cruise line fees charged to cover these costs.

10.2 On the benefits of a Harbour Authority

Any investment available for the development of marine activity on Loch Linnhe would be better channeled towards:

10.2.1 Marketing Fort William as a destination to cruise lines

This could include joining CruiseScotland and the production of promotional material. Also, direct relationships could be established with excursions companies in order to expand the on shore offering and maximise local supply chain impacts.

10.2.2 Examining the specific insurance barriers to pilotage related to future demand by cruise ships

There is broader demand for the services of pilots outside Harbour Authority areas with requests from ships' agents for pilots to board cruise ships at Tobermory to pilot the approach to Oban, neither of which currently have Harbour Authorities. A solution for this would most appropriately be sought for the broader Scottish cruise sector, or at least the West Coast, with the costs of the advice or insurance cover required shared.

10.2.3 Investigation of the development potential at Corpach Shipbuilders, Corpach harbour and the Underwater Centre Pier

These facilities, and their skilled workforces, have potential to expand or diversify their activities. Currently they provide year round, skilled employment that is complementary to tourism (and generally better paid).

11 Appendix 1: Economic Impact Workshop – 8th December 2015

11.1 Attendees

David Seddon	– Highland Council
Finlay Finlayson	– Underwater Centre
Donald Hind	– Corpach Boat Building Company
Andy Rogers	– BSW Timber
Alasdair Ferguson	– Ferguson Transport and Shipping
Hamish Loudon	– Lochaber Yacht Club
Frazer Coupland	– Lochaber Chamber of Commerce
Bruno Beradelli	– Lochaber Chamber of Commerce
Sarah Kennedy	– Fort William Marina and Shoreline Association
James Kennedy	– Fort William Marina and Shoreline Association
Emma Tayler	– Highland Council, Lochaber District Partnership
Brian Murphy	– Highland Councillor for Fort William and Ardnamurchan
Thomas MacLennan	– Highland Councillor for Fort William and Ardnamurchan
Andrew Baxter	– Highland Councillor for Fort William and Ardnamurchan
John MacLellan	– Underwater Centre
Russell Thompson	– Scottish Canals
Steve Westbrook	– project team
Lucy Parsons	– project team

11.2 Discussion

11.2.1 *Outline of cruise sector potential by Lucy Parsons*

Economic impact estimates

Recent impact per passenger in Orkney study of £60.78 per passenger

Decade ago GP Wilde were modeling over £100

Lowest estimate based on onsite interviews was £9.70 in Portree

Different classes of cruise business

Large vessels with low cabin charges and free lunch time buffets \$100 per night

High end with higher spending passengers eg Seabourne at £3,000 per week upwards for a week

Explorer class of smaller vessels

Business model

Profits very dependent onshore excursions markup of 100%

Excursion arrangement generally tendered for a region or whole country in one contract

Explorer vessels more likely to contract directly with local attractions and services

Port considerations

“Marque” port is one that attracts bookings when it features on an itinerary

“Banker” ports generate particularly high excursion revenues

Tendering ashore reduces the take-up of excursions, limiting the number of such calls in an itinerary that would be acceptable to cruise lines

Want to arrive by 8am and be able to stay long enough to get a full day excursion in before sailing away

Market variation examples of potential application in Fort William

German passengers unloading bikes at Invergordon to explore and using public transport in Edinburgh
Mid market cruise passengers, that book ahead independently for private excursion providers, eg Crabbies

11.2.2 Existing economic activity on the loch and the potential impact of a Harbour Authority

Good mix of industrial activity in and shipping through the Loch valuable to a robust local economy and employment climate.

Ferguson Transport – Impact of a Harbour Authority would depend entirely on what type and what restrictions and costs were imposed as a result.

Andy Rogers (BSW) – half a million tonnes in and out each year in feedstocks and product.

- Logs in from UK sources, sawn timber and chips out. Recent initiative to move cargos from lorry haulage to shipments supported by financial subsidy that is going to taper away. Road haulage cheaper. Apart from external benefits to everyone of removing 9,000 lorry loads per annum from the roads there is the logistics and storage capability gained through Tilbury that enables BSW Timber to serve the short order market for timber in London for a small proportion of this seaborne export. [Road based equivalent presumably also available]
- 250-300 vessel movements per year. 15 in last twelve months down to Tilbury.
- Exchange rate vulnerability considerable for BSW.
- Five year growth plan underway.
- Additional costs of an HA a potential hazard.

Finlay Finlayson (Underwater Centre) – Deep dive sites vital to operations. Key to both ROV and dive training. Recently discreetly tested Nato ROV. Additional red tape would be detrimental.

Frazer Coupland and Bruno Beradelli (Chamber of Commerce) – no correlation with the UK Outdoor Capital campaign

Alasdair Ferguson – considered setting up a Harbour Authority in Kishorn but concluded that the setup costs couldn't be justified.

11.2.3 Cruise activity

Asked whether cruise activity at Fort William would simply displace calls to Oban; do coach excursions already visit FW from ships landing at Oban?

Russell Thompson – cruise ships can only hold 48 hours of waste water and need to get clear in that timescale to discharge tanks. Therefore wary about being stranded in ports without facilities.

Thomas MacLennan – 7 coaches from one ship last year came to FW

Sarah Kennedy – ferry activity at Oban impedes cruise liner operations

Thomas MacLennan – visiting cruise lines particularly keen on the activity and scenery around FW as a draw, with coach journeys of a maximum of 45 minutes being the ideal, making Oban slightly further away than cruise lines would like.

Agreed around the table that the cruise lines would want daylight and favourable tides to transit the Narrows limiting the number of days per year this would fit with early morning arrival and late afternoon sailing.

Andy Rogers - asked why there have only been two ships in the past.

Sarah Kennedy – 5 booked for next year with lots of promotion underway by the Council in Hamburg and Miami

Bruno Beradelli - suggested that the manpower and costs that would be required to run a Harbour Authority would be better employed on aggressively marketing to the cruise sector

11.2.4 Navigation issues

Agreed around the table that cruise lines do not see lack of a Harbour Authority as any sort of impediment to visiting Fort William. The idea that they cannot proceed without one was based on a cancelled call which may have been cancelled for commercial reasons – **SK and TMcL**

Brian Murphy – would like to have had the MCA involved in the navigation workshop if not this one in order to have their opinion on the safety of operations in the loch without a Harbour Authority.

Donald Hind – Gave full summary of the navigation through the loch concluding that it is only any sort of challenge beyond the Underwater Centre Pier up to Corpach which would not be where the cruise ships would go.

When Corpach was first opened, the first 40 or so vessels were piloted in but it was deemed to be not necessary after that.

Adding 12-15 cruise ships per year to the current mix would be fine.

Light dues are paid so Northern Lighthouse Board would provide any additional navigation marks or lights required.

11.2.5 General discussion

Questions on what type of Harbour Authority it would be. Lucy Parsons gave an outline of trust, municipal and private options with sketch of the differences in cashflow implications.

Finlay Finlayson – Status quo ideal and the loch entirely functional given how well all the parties know each other and communicate. Effectively a “trust” already. 30 years of operation without any serious incident.

Brian Murphy – Council has no fixed view on what type of HA should be put in place and a trust may be the best option.

Alasdair Ferguson – ownership and operations of facilities around the loch too fragmented to overlay a harbour authority system onto.

11.2.6 Barriers to growth in terms of infrastructure

Sarah Kennedy and Hamish Loudon – berth alongside for cruise ships

Canal – Telford Marina and pump out and diesel bunkering capability

Donald Hind – Slipway for larger vessels at Corpach Boat Building Co

Hamish Loudon – road bunkering

11.2.7 Conclusions

Thomas MacLennan – 1,000 jobs represented by the businesses around the table and the tail should not end up wagging the dog.

Might reach a point where volumes of activity meant that safety considerations required a Harbour Authority.

Volumes of cruise activity will always be limited by tidal requirements for Corran Narrow transit.

12 Appendix 2: Summary of a Survey of Key Local Businesses

A telephone survey was carried out with businesses operating on the loch, with ten responses, including all but one of the largest employers (figures have been estimated for this company from publicly available information).

The results of the survey were as follows:

All but one of the respondents didn't think that a harbour authority was necessary, with traffic levels on the loch low and levels of cooperation and communication high. One ferry company could see the benefits of a harbour authority (increased knowledge of the movements of vessels), although understood the negative impact it would have on the shippers and agreed that things work well as they are, with no issues or problems.

A sole trader commented that he would pay for a better service and to have a referee to settle disputes, although he wasn't sure as to what the role and responsibilities of the harbour authority would be.

Combined, these business have direct employment of around 520 FTEs (the majority of which are full time, year round jobs in the local area).

Supply chain impacts are estimated to be high, with an economic study of one of the major employers calculating that 3-4 indirect jobs in the wider economy are supported by one of their direct jobs. Electricians, plumbers, services, maintenance, forestry and painters were mentioned as supplying these businesses.

Induced impacts from employee spending in the local area was also considered to be significant. One major employer stated that their wage bill is £6m, the majority of which will go into the local community.

The total turnover of these companies was estimated at more than £110m.

Two businesses were seriously concerned about the effect that harbour charges would have on their operations. One said that it would make transporting by sea difficult, and profits are currently marginal. They reported that it costs more to ship by sea, and that they choose to do so for reasons other than cost. The other concerned company also said that shipping by sea is marginal, and that they would need to pass on the extra charges to their customers. This would make it difficult for their customers and could result in them losing custom. The respondent commented *"everyone is already cutting costs and there is still a global downturn. The price of timber is very low and these extra charges would make life difficult for our clients."*

In addition to the economic benefits mentioned above, companies mentioned other benefits that they provide to the local area:

- Work experience for school children and students, as well as community engagement with local schools.
- Donations to local village halls, events, charities, etc.
- Staff members involved in local committees and organisations.
- Providing manpower for local activities (such as beach tidying).
- Providing rescue operations to vessels in distress.
- Keeping large volumes of freight off the roads. One shipping company noted that one shipment can equate to 40 lorries on the local roads, and shipping is more environmentally friendly than transporting by road.
- Payments to local organisations, such as the Chamber of Commerce.
- Providing transport links and reducing travel times.

Due to the uniqueness and size of their facilities, the Underwater Centre and the Corpach Boat Building Company provide unique services to a much larger area.

Boyd Bros commented as follows:

If there was a harbour authority in this area we are concerned about the extra costs that this may incur. As a company we are committed to reducing tonnage transported by road. We would have to pass any extra cost on to our customers which may make shipping timber from the pier less cost effective and may result in increased tonnage on the road in the local and wider area.

BSW is a large employer in the local area and one of our main customers. They export over 100,000 tons per annum through our berth. This is the equivalent of 8,000 lorry journeys. Any extra cost would be detrimental to this operation.