Agenda Item

1

Shetland Islands Council

Harbour Board	**15 June 2015**
Policy and Resources Committee	**28 June 2015**
Shetland Islands Council	**29 June 2015**

Review of Scalloway Harbour – Progress and Next Steps	
PH-11-16F	
Director of Infrastructure **Acting Executive Manager- Ports and Harbours**	**Infrastructure Services Department**

1.0 Summary

1.1 This report describes progress on the review of Scalloway Harbour and makes recommendations on further activity, particularly relating to the Scalloway Fish Market.

1.2 The report is a summary of progress to date in developing the "Outline Business Case" stage in the "Better Business Cases" method adopted by the Council. It concludes that further information gathering and analysis is required before any decision on a "Preferred Option" for future arrangements at Scalloway Harbour is made by the Council.

2.0 Decisions Required

2.1 That the Harbour Board and Policy and Resources Committees NOTE the information contained in this report, comment on those areas within their remit and inform the Council of their views; and

2.2 RECOMMEND that the Shetland Islands Council RESOLVES, having taking account of the views of Committees, to instruct the Director of Infrastructure, or her nominee, to further clarify the "Outline Business Case" options, progress the next steps as set out in section 5 of this report and report again for a decision on a "Preferred Option", and;

2.3 INSTRUCT the Director of Infrastructure, or her nominee, to submit a project outline to the policy unit of Marine Scotland to obtain their view and advice on the potential for European Maritime and Fisheries Fund (EMFF) funding eligibility.

3.0 Background

3.1 The Council initiated a review of the options for development of Scalloway Harbour in 2015 to best meet its medium and long term objectives.

3.2 These objectives were agreed by the Council at the initiation of the review. (The Strategic Outline Case stage in the Better Business Case method).

	Objectives
Strategic	Thriving, active and proud community that celebrates our sense of identity People are able to live in their local community with access to appropriate, high quality employment and training opportunities
Economic	Supports changes to the structure of the industries and facilitates diversity and resilience Supports innovation through infrastructure and transport links Supports businesses (existing and/or emerging and/or new) to be more competitive
Financial	Financially secure and sustainable approach
Commercial	There is suitable and appropriate business partner and community support for what the Council is proposing
Managerial	We want to be known as an excellent organisation that works well with our partners to deliver sustainable services for the people of Shetland.

3.3 It quickly became clear that a significant issue at Scalloway Harbour was the condition of the Fish Market and decisions on what should be done to remove, refurbish or replace it needed to be made as soon as possible.

3.4 An option appraisal on the best way forward with the Scalloway Fish Market was tendered and the report from SSQC on that is attached to this report (see Appendix 1 and Appendix 1a). This informs the “Outline Business Case” stage in the “Better Business Cases” method and informs this report.

3.5 Consideration of the effects and opportunities for Oil & Gas support, aquaculture services and other harbour uses of any development were also contained within that study in so far as Fishmarket developments affected them. The full analysis and reporting of options related to these opportunities, and an analysis of more general alternative uses for the harbour and quaysides, will be included in the “Outline Business Case” report which will be brought to Council in October.

4.0 Findings Relating to Scalloway Fishmarket

4.1 Four options for the potential development / discontinuation of the Scalloway Fishmarket were included in the brief for the study.

1. Demolition and removal with services provided by road transfer to Lerwick

2. Refurbishment / Redevelopment of the existing building on the existing site

3. Replacement of the existing building on the pier immediately to the south of its current site.

4. Replacement of the existing building on a new site at the west of the Harbour in conjunction with quay developments.

4.2 Results of Option Appraisal is set out in section 5, from page 33 of Appendix 1.

Initial Option Screening

Following an initial screening of the option identified these options have been scored and ranked as followed:-

Option	Rank	Score
1	4	43
2	1	64
3	2	59
4	3	48

Based on this initial option screening the options 2 and 3 would appear to give the best fit with Council objectives. However at this stage all options remain open and will be the subject of more detailed examination and cost benefit analysis

5.0 Next Steps

5.1 It is proposed that further analysis and consultation should be carried out on all options to provide as much additional detail as possible on the costs, issues and risks involved in each. Further investigation would also be conducted during this time on the funding arrangements for them.

5.2 A report setting out the 'Outline Business Case', which will include this additional information will then be brought to members in October 2016 so that Members can make a decision on the "Preferred Option" at that time.

6.0 Implications

Strategic

6.1 Delivery On Corporate Priorities –

Shetland is a group of islands and "Our Plan" identifies transport links to and from, and within, the islands as our life blood. Shetland's Ports and Harbours are the conduit for much of that activity. People, products, goods and supplies go in and out of Shetland and move around the islands by sea. If we do not have the right Ports & Harbours infrastructure and services in place that cannot happen and new business opportunities and wealth creation cannot take place.

If we are to enjoy a strong economy with well-paid jobs we have to make sure that we have the Port infrastructure and services required to support key business sectors, especially those depending on the utilisation of local resources, meet individual and business needs and deliver economic growth.

6.2 Community /Stakeholder Issues – Consultation with customers and other stakeholders is on-going as an integral part of each aspect of service delivery.

6.3 Policy And/Or Delegated Authority –

Harbour Board

Strategic oversight and direction in all aspects of the operation of the Council's harbour undertaking in accordance with overall Council policy and the requirements of the Port Marine Safety Code.

Act as Duty Holder required by the Port Marine Safety Code and ensure that the necessary management and operational mechanisms are in place to fulfil that function.

Consider all development proposals and changes of service level within the harbour undertaking; including dues and charges, and make appropriate recommendations to the Council

Policy and Resources Committee

Advise the Council in the development of its strategic objectives, policies and priorities, and to be responsible for the development of cross departmental change including for example customer management, workforce deployment and asset management and health and safety matters.

Shetland Islands Council

Determining the overall Goals, Values and Strategy Framework Documents, or matters of new policy/strategy or variation of existing policy/strategy.

6.4 Risk Management – This strategic review includes considerations of the requirement for the Council to maintain fit for purpose assets that meet Health and Safety and Environmental health requirement, spend its limited funds responsibly, manage financial risk and contribute to economic development and other community benefit.

6.5 Equalities, Health And Human Rights – All Port infrastructure must provide a safe working environment and any Fishmarket must comply with relevant environmental health requirements.

6.6 Environmental – All Port infrastructure must manage its impact on the environment with particular obligations when handling a food commodity like fish.

Resources

6.7 Financial – A number of the options have a significant capital cost as indicated in the option appraisal document. The estimated cost for a refurbishment/rebuild of the existing facility is c£2.5 million (option 2). The cost of a new build adjacent to that is estimated at £4.5 million (option 3). The cost of a new build to the West of the existing harbour is estimated at c£14.5 million (option 4).

It's estimated that provision of either option would result in a gross revenue income stream to the Council of £225k per year in charges for white fish landed at Scalloway and sold through the Scalloway Fishmarket. The revenue running costs, currently £50k per year, will require to be taken into consideration to provide the net income position.

The costs of option appraisal and further investigation will be met from existing Ports & Harbours budgets.

Further investigation of all alternatives for funding will be reported in October 2016.

6.8 Legal – None.

6.9 Human Resources - None.

6.10 Assets And Property – The Councils Building Services, Capital Programme and Planning Services have all been consultees in this review.

7.0 Conclusion

7.1 The Council has a duty to demonstrate that it is achieving Best Value in all its activities. Part of meeting that duty is the thorough review of all substantial activities from time to time and the rigorous evaluation and comparison of alternative ways of achieving outcomes and meeting objectives.

7.2 Scalloway Harbour is a key component in the Shetland Fishing industry and indeed of regional and national significance in terms of its white

fish landings. The existing Scalloway Fishmarket is coming to the end of its viable life due to its age and the developing requirements of the industry. Continuing to provide Fishmarket facilities in Scalloway is essential to maintain capacity to meet overall landings and for the efficiency and quality needs of the sector.

7.3 It would be of benefit to clarify the costs, issues and risks of all options more fully before a "Preferred Option" is chosen.

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27 May 2015

Appendices

Appendix 1 - Interim Report - Options Appraisal for Scalloway Fish Market

Background Documents

Scalloway Harbour Review + Minute – Harbour Board – October 2015

Scalloway and Sullom Voe Masterplans + Covering Report and Minute – Harbour Board, 8 October 2014
http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=16728

Interim Report

Options Appraisal for

Scalloway Fish Market

May 2016

Prepared for:-	Prepared by:-
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Appendices

1.0 Background and Methodology

1.1 Background

This report has been prepared in response to a brief from the Shetland Islands Council to conduct an options appraisal in relation to potential developments at Scalloway Fish Market.

Shetland Islands Council is currently undertaking a review of the options and opportunities for the development of its Scalloway Harbour operation. One of the key facilities at Scalloway harbour is the whitefish market which serves both local and other vessels fishing to the West of Shetland. The structure of that market is now aged and its facilities may not be up to the standards required in future years for the increasingly demanding requirements of any food handling and distribution business. They therefore need to establish the options, costs and benefits and implementation plan for the range of proposed options for future development.

Scalloway Harbour has made major advances in terms of both the volume and quality/value of fish landed at the Fish Market. Initiatives such as the Electronic Auction and Whitefish Improvement Scheme have helped to push these advances forward. However in order to retain and improve on these advances, and keep pace with customer requirements and consumer demands, a review of the facilities and service provision at the Fish Market is required.

White Fish landings are anticipated to continue at Scalloway Harbour for the foreseeable future at a similar scale of levels to recent years, although there will be peaks and troughs and the impact of legislative changes such as landing obligations are uncertain. Data on the volume of landings is contained within this report.

This coupled with the fact that the whitefish industry is now entering a phase similar to that which has already been seen in the aquaculture industry, where customer demands are leading to greater requirements for quality assurance and independent verification, means that both the current market and any new developments in Scalloway will have to keep pace with change, in order to both satisfy increased quality assurance demands and remain competitive.

The purpose of this project is to assess a range of options for continued provision of a Fish Market facility at the Port, and report to the SIC with a clear rationale of which option would be the most practical for the Council to pursue.

1.2 Methodology

The objective of this study is to identify the most suitable option for future provision of a Fish Market facility at Scalloway. The study took place during April and May 2016, with the aim of obtaining a detailed written study report which will support strategic development at Scalloway Fish Market. In order to achieve the desired outputs the following workstreams were undertaken.

WORKSTREAM 1 - Review of Background Data

Following an initial meeting with the Client, the first action was to review background data in relation to the Scalloway Fish Market both currently and historically, to both establish a current baseline for the market, as well as any trends which could help identify and assess the best option for optimum future provision at the facility. This included review of both data internal to the SIC as well as external publications, and background data in relation to other fish landing ports in Shetland and Northern Scotland. In addition documents relating to national, regional and local policies, strategies and plans were examined to identify current and potential future priorities locally and nationally, and potential fit with this project. Examples of some of the documents examined are:-

- Scalloway Harbour and Small Port Accounts - SIC
- Scalloway Harbour Development Plan (2014) – Ironside Farrar
- SIC Ports and Harbours 2015-16 Service Plan - SIC
- Shetland Local Plan (2014) – SIC
- Shetland Regional Accounts (2011) – James Hutton/ABA
- Shetland in Statistics (2014) – SIC
- Business Case for Scalloway Harbour Dredging (2010) – ABA
- Community Impact of the Seafood Sector in Shetland (2015) – SSQC
- Website and associated downloads for non-SIC ports including Lerwick, Peterhead, Fraserburgh and Scrabster.
- Consultation Report Harbours (Scotland) Bill (2015) – Marine Scotland
- Current EMFF guidelines (2016) – Marine Scotland

WORKSTREAM 2 - Tour and Assessment of Facilities

SSQC staff members are already very familiar with the Scalloway Fish Market as they undertake daily quality assurance inspections for the Whitefish Improvement Scheme. In addition for this project a thorough tour of the facilities was undertaken with SIC staff to assess the existing infrastructure, and make a critical assessment of the current facilities at the Scalloway Fish Market. **SSQC also engaged with port staff who undertake duties at the fish market**, to

ascertain their views on the current facilities, and any opinions or ideas they may have with regard to future development.

WORKSTREAM 3 - Stakeholder Consultation

In order to ascertain a full picture of the future options for the facility, consultation was undertaken with a number of stakeholders and interested parties. These stakeholders were:-

- **SIC Ports and Harbours**
  - Mark Burgess –Shetland Central Member of SIC Harbour Board
  - Alastair Cooper – Shetland North Member of SIC Harbour Board
  - John Smith – Ports and Harbours Executive Manager
  - Paul Bryant – Harbour Master
  - Brian Dalziel - Harbour Master
  - Andrew Inkster – Port Engineering
  - Ross MacLennan – Small Ports Officer
  - Brian Morrison - Small Ports Officer
  - Stephen Simmons - Small Ports Officer
  - Terry Brown - Small Ports Officer
- **SIC Economic Development Unit**
  - Neil Grant – Development Services Director
  - Douglas Irvine – Development Services Executive Manager
- **SIC Planning Services**
  - Dale Hunter – Planning Officer
- **SIC Environmental Services**
  - Patti Dinsdale – Environmental Health Officer
  - Dawn Manson – Environmental Health Officer
- **SIC Building Services**
  - Steven Goodlad
  - Michael Leftwich
- **Lerwick Port Authority**
  - Sandra Laurenson
  - Victor Sandison
  - Callum Grains
- Martin Leyland – Shetland Seafood Auctions
- Simon Collins – Shetland Fisherman's Association
- Brian Isbister – Shetland Fish Producers Organisation
- Gary Spence – LHD Ltd
- Hamish Balfour – Shetland Transport
- David Goodlad – Net Services Shetland
- Neville Martin - SHEAP
- **Fish Buyers**
  - Karl Simpson – Simpson and Ward
  - Gordon Johnson – QA Fish

- Laurence Williamson – L Williamson Ltd
- James John Shearer – Blydoit Fish
- Earl Anderson

WORKSTREAM 4 - Option Screening

An options screening has been conducted to ascertain the most appropriate development opportunities for the facility going forward. **Standard option appraisal techniques, and Treasury Green Book methodology were used to conduct this analysis**.

WORKSTREAM 5 – Outline Business Case

An outline business case has been developed looking at why, what, how and who is necessary for any development option to proceed. This outline business case clearly appraises the needs for and future provision of, fish market facilities at Scalloway.

WORKSTREAM 6 - Delivery Model

During consultation with stakeholders, views were sought in relation to a potential ownership model and operational structure, including the potential for partnership between the public and private sectors. Views were assessed and where appropriate were fed into the outline business case.

WORKSTREAM 7 – Cost Benefit Analysis

Options shortlisted following screening were subjected to more in-depth assessment. **The relevant costs and benefits of these shortlisted options were valued, and the net benefits or costs calculated, and subjected to sensitivity analysis through scenario development. Results were then compared between options to help select the preferred option for development going forward**.

Data, assessments and findings from these work streams have been pulled together to create a comprehensive study report, which achieves the project outputs set by the client, as detailed below.

1) ***A critical assessment of the current operations*** at the Scalloway Fish Market
2) ***An overview of other fish landing ports*** in Shetland and the North of Scotland
3) ***Review of options examined***
4) ***Delivery model options*** for the facility.
5) ***An outline Business Case*** with a recommended preferred option, based on the options appraisal process.

This interim report details the project up to workstream 4, and draws interim conclusions and recommendations based on work on the project to date.

2.0 Review of Background Data

2.1 Data for Shetland

Population

From the table below it can be seen that according to census data, in 2011 Shetland had a total population of 23,167. This was an increase of 5.3% from 2001, when the population stood at 21,988, and followed a period of slight decline between 1991 and 2001 (-2.3%). The population of the islands is predicted to continue to rise, with the General Register for Scotland predicting growth of a further 3.9% between 2011 and 2021, giving a population just over 24,000.

Table 1: Population Change, 2001 – 2011

Area	2001 Population	% Change 91-01	2011 Census Population	Change 01-11	% Change 01-11
Shetland	21,988	-2.3	23,167	1,179	5.3
Scotland	5,062,010	1.3	5,295,400	233,390	4.6
UK	57,203,100	2.5	61,470,800	4,267,700	7.5

Sources: Census of Population, Scottish Census 2011.

Economic Activity

In 2014, 87.3% of the population aged between 16 and 64 were economically active. This is 10% higher than the overall Highlands and Islands rate of 77.2%. Shetland has traditionally had low levels of unemployment, however these figures may be skewed by non-domiciled employment at the Gas Plant. The table below shows the unemployment rates for Shetland based on the number of people claiming Job Seekers Allowance at Job Centre Plus offices. These figures appear to have risen since 2015, which goes against both Scottish and UK trends. However both male and female unemployment rates in Shetland are significantly lower than in Scotland and the UK, although there is under-employment particularly in more outlying areas.

Table 2: Job Seekers Allowance Claimants, Jan 2015 – Jan 2016

	Shetland (Numbers)	Shetland (%)	Scotland (%)	UK (%)
Jan 2016				
All People	125	0.8	2.2	1.9
Males	95	1.2	3.2	2.5
Females	30	0.4	1.3	1.4
Jan 2015				
All People	143	1.1	3.3	3.0
Males	98	1.4	4.6	3.9
Females	45	0.7	2.0	2.1
Change				
All People	35	0.2	-0.2	-0.2
Males	20	0.3	-0.3	-0.3
Females	10	0.2	-0.1	-0.1

Source: ONS Regional Labour Market Statistics, Table JSA02.1.

Employment Structure

The table below shows employment structure in Shetland compared to national data. From this table it can be seen that the main employment sectors in Shetland in 2013 were public admin, education and health; construction; and wholesale/retail. The smallest sectors were energy and water and information and communication.

It should be noted that these figures are skewed due to works associated with the new Gas Plant at Sullom Voe Terminal, and it is likely that current employment on the islands is significantly lower than these figures would suggest. In addition it should be noted that data excludes self-employed and farm-based agricultural employment.

Table 3: Employment by Industry, 2013

	Shetland (numbers)	Shetland (%)	Scotland (%)	GB (%)
Total employee jobs	**13,200**	**-**	**-**	**-**
Full-time	8,400	63.7	66.8	67.2
Part-time	4,800	36.3	33.2	32.3
Employee Jobs by Industry				
Primary Services - Agriculture & Mining	500	3.9	1.7	0.3
Energy & Water	200	1.6	1.4	1.1
Manufacturing	800	6.2	7.4	8.5
Construction	1500	11.1	5.5	4.4
Services	**10,200**	**77.3**	**84.0**	**85.7**
Wholesale/Retail, incl. motor trades	1,400	10.8	14.7	15.9
Transport storage	1,000	7.9	4.0	4.5
Accommodation and food services	1,200	9.2	7.8	7.0
Information and communication	200	1.8	2.7	4.0
Financial & other business service	1,300	9.5	19.6	21.8
Public admin, education & health	4,100	31.2	30.4	28.0
Other services	900	6.7	4.8	4.6

Source: ONS Business Register and Employment Survey.
Note: % is a proportion of total employee jobs. Employee jobs exclude self-employed, government-supported trainees and HM forces. Data excludes farm-based agriculture.

In 2014 the SIC undertook an employment survey within the islands, which excluded non-domiciled employment at the Gas Plant project. The results of this survey compared to a similar survey carried out in 2011 are contained in the table below.

Table 4: Employment excluding Non-domiciled Workers				
	2011 (FTE's)	2014 (FTE's)	Difference (%)	% of 2014 Emp
Employee Jobs by Industry	**9,643**	**8,803**	**-8.7**	**100**
Primary – (Agriculture, Fisheries, Oil Terminal)	1,096	1,153	5.2	13
Manufacturing	875	783	-10.5	9
Construction	801	678	-15.4	8
Services	6,871	6,189	-9.9	70

Source: SIC EDU Employment Survey 2014, A B Associates

From the table above it can be seen that the main employment impact of non-domiciled employment at the Gas Plant project, relates to the construction and service sectors, both of which have reduced in size from 2011, excluding non-domiciled employment. The service sector however remains the most significant employer with 70% of all FTE jobs in 2014. Manufacturing which includes fish processing has also seen a 10% drop in employment since 2011, and accounted for 9% of all FTE jobs in the islands in 2014. The primary sector is the only figure in this table which is higher than the national estimate in table 3. This sector includes fish catching and aquaculture.

Seafood Sector

The table below is taken from the Shetland Regional Accounts for 2010/11. From this it can be seen that aquaculture and fish catching rank 1st and 4th respectively in terms of output, value added and profits for Shetland as a whole, with fish processing ranking 2nd in terms output.

Table 5: Top Five Economic Sectors in Shetland 2010/11		
Total Output	Value Added	Profits
Aquaculture	**Aquaculture**	**Aquaculture**
Fish Processing	Construction	Other services
Construction	Land Transport	Land Transport
Fish Catching	**Fish Catching**	**Fish Catching**
Public Admin	Other Services	Retail

Source – Shetland Regional Accounts 2010/11

SSQC undertook a Community Impact Study of the Shetland Seafood Sector for the 2014/15 year. This report concluded that the seafood sector continues to be, as it

has traditionally been for centuries, the largest and most influential sector, both overall for Shetland and for many communities within the islands

Some relevant findings from this report are detailed in the tables below:-

Table 6: Seafood Industry Statistics for Shetland 2014/15				
	Total	**Catching**	**Processing**	**Aquaculture**
Output	£350.7m	£105.7m	£87.3m	£157.7m
Value Added	£106m	£45.5m	£10.6m	£50m
Gross Impact	£584m	£157m	£186.2m	£240.9m
Employment Jobs	997	273	414	310
Employment FTE	914	258	375	281
Male Jobs	828	273	275	280
Male FTE	773	258	255	260
Female Jobs	169	0	139	30
Female FTE	141	0	120	21
Wage Income	£35.1m	15.8	9.9	9.4
Employee Local Spend	£21.9m	9.9	6.2	5.8

Source – Shetland Seafood Sector Community Impact Study 2014/15, SSQC

Table 7: Seafood Dependent Employment for Shetland 2014/15			
	Total	**Male**	**Female**
Dependent Jobs	2602	1902	700
Dependent FTE	2243	1746	497

Source – Shetland Seafood Sector Community Impact Study 2014/15, SSQC

From the tables above it can be seen that, the estimated value of the output of seafood sector in the islands in 2014/15 was £350.7m, with an estimated GVA of £106m. This figure comprises output of £157.7m for aquaculture £105.7m for fish catching, and £87.3m for fish processing.

The gross impact showed £584m of output in the Shetland economy was dependent on the seafood sector. This figure comprises £240.9m for aquaculture £157m for fish catching, and £186.2m for fish processing.

Of the total of 11,817 domiciled jobs in Shetland in 2014, 2,602 or 22%, including a third of all full and part-time male employment, was dependent on the seafood sector. 997 or 8% of jobs related to direct employment in the sector, including 15% of all male full-time employment. 414 direct jobs related to fish processing, 310 to aquaculture and 273 to fish catching.

Of the total of 8,815 FTE jobs in Shetland in 2014, 2,243 or 25% were dependent on the seafood sector. This is proportionately higher than for jobs, which shows a higher than average level of full time employment in the sector. 914 or 10% of all FTE's in the islands relate to direct employment in the seafood sector, and again this

is proportionately higher than for jobs. 375 FTE's related to fish processing, 281 to aquaculture and 258 to fish catching.

Estimated wage income for the Shetland seafood sector in 2014/15 was £35.1m, with an estimated spend of £21.9m on goods and services within Shetland.

Fish Catching

Fish catching is an important sector of the Shetland economy, however in recent years the fleet has been decreasing. The most recent figures indicate the fleet comprises 179 boats, which is a rise of 6 on the previous year. However over the period from 2001, there has been a drop of 56 vessels. The vast majority of the Shetland fishing fleet is comprised of under 10m boats. This accounted for 76% of the total fleet in 2014.

Table 8: Shetland Fishing Fleet by Vessel Length

Year	Over 25m	10-25m	Under 10m	Total
2001	23	35	177	235
2009	13	36	133	182
2010	14	35	138	187
2011	14	30	131	175
2012	14	29	134	177
2013	14	27	132	173
2014	14	29	136	179

Source: Shetland in Statistics; Marine Scotland Science.

Landings made into Shetland in 2014 were the second highest of any Scottish district behind Peterhead, and comprised approximately 20% of total Scottish fish landings for the year. Landings into the islands totalled 77,000 tonnes at a value of £75 million. The majority of these landings were pelagic species, which represented 76% of total quantity and 58% of the total value of landings. Demersal species accounted for 21% of quantity and 36% of the value landed.[1]

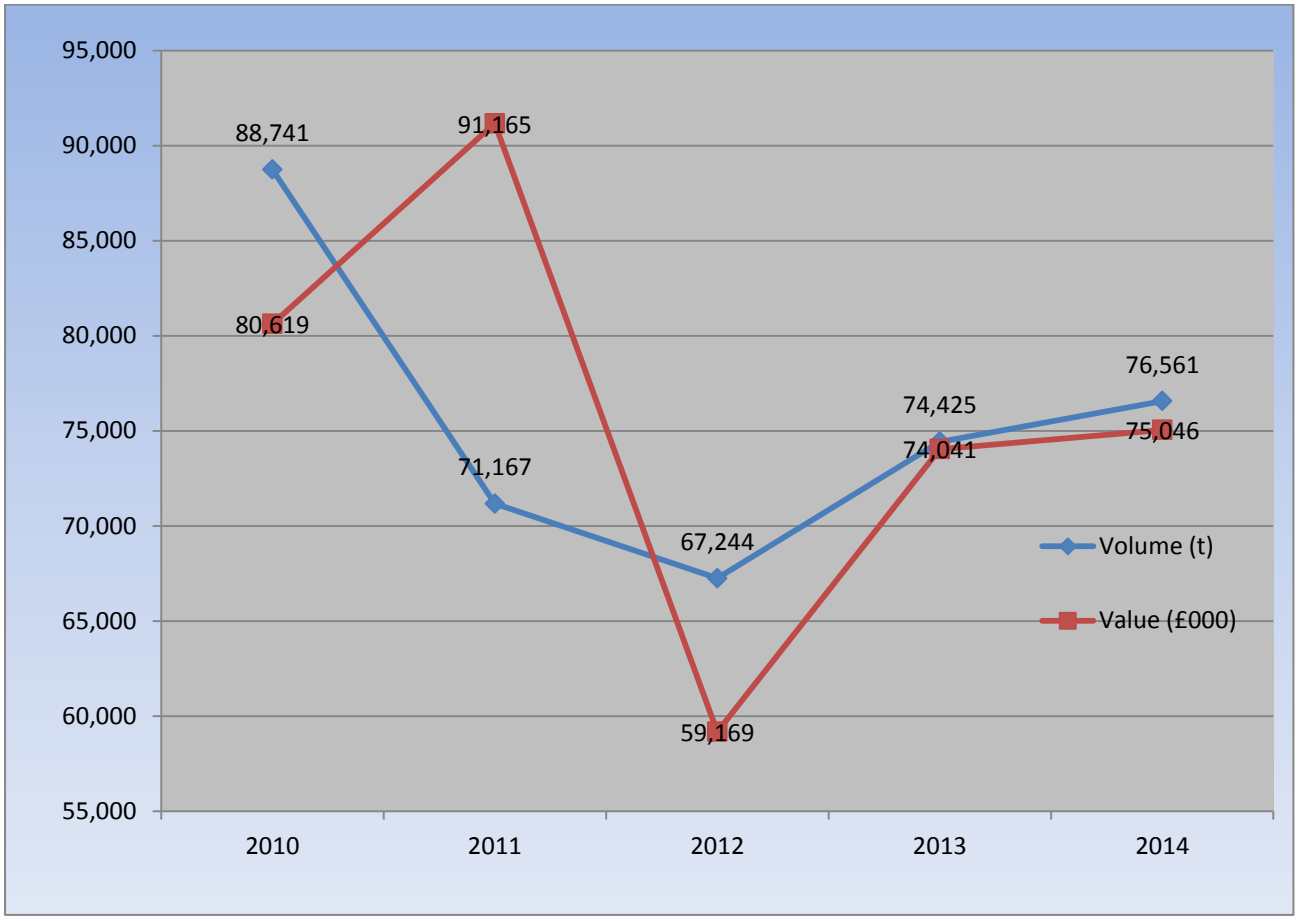
The table and chart below show the tonnage and value of all fish landings into Shetland from 2010 – 2014. From this it can be seen that there has been significant fluctuation both in terms of volume and value over the period.

[1] Source Marine Scotland

Table 9: Total Fish Landings into Shetland		
Year	**Volume (tonnes)**	**Value (£000)**
2010	88,741	80,619
2011	71,167	91,165
2012	67,244	59,169
2013	74,425	74,041
2014	76,561	75,046

Source: Scottish Sea Fisheries Statistics 2014: Landings Tables

Chart 1 Total Fish Landings into Shetland

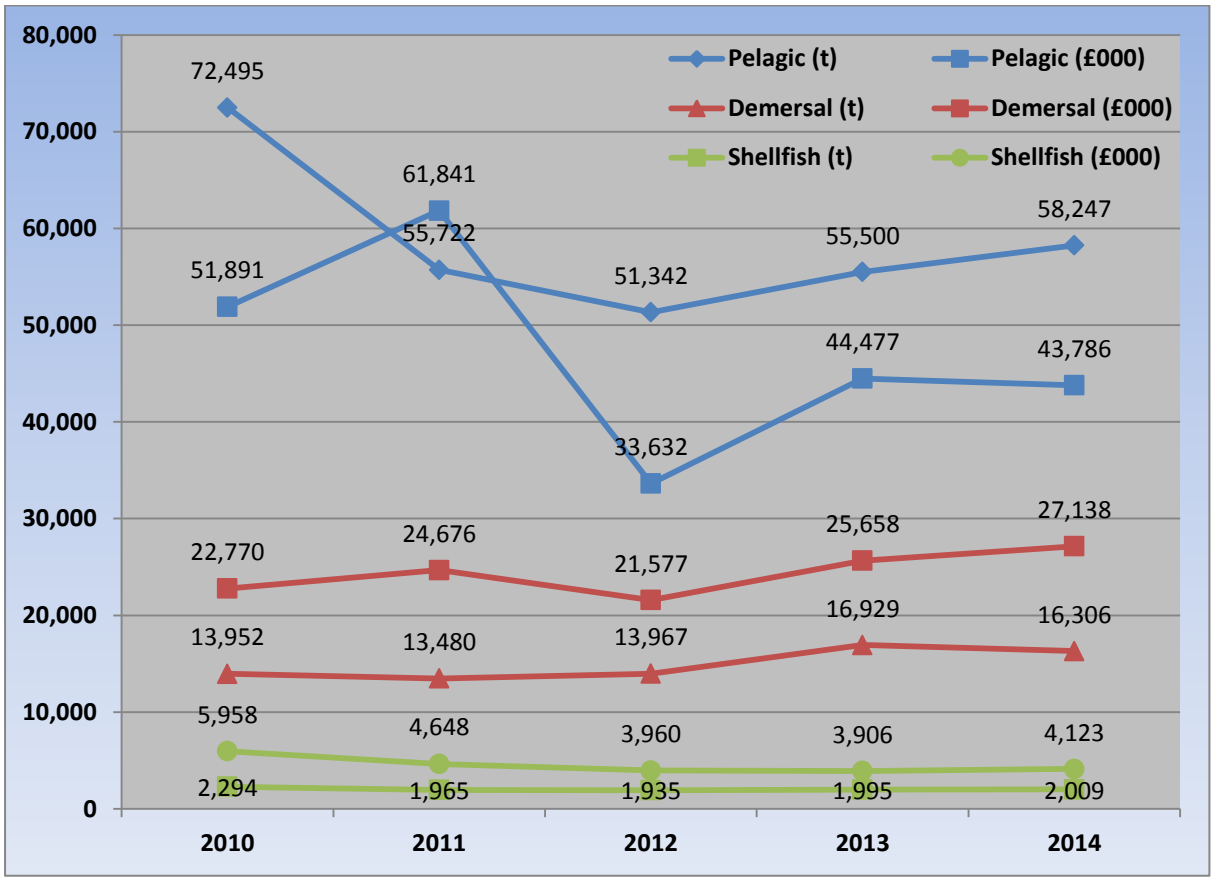


An analysis of landings by fish type shows that overall figures are greatly influenced by fluctuation in relation to the volume and value of pelagic landings. This is detailed in the table and chart below.

Table 10: Total Fish Landings into Shetland by Type										
	Volume (t)					**Value (£000)**				
Year	**2010**	**2011**	**2012**	**2013**	**2014**	**2010**	**2011**	**2012**	**2013**	**2014**
Pelagic	72,495	55,722	51,342	55,500	58,247	51,891	61,841	33,632	44,477	43,786
Demersal	13,952	13,480	13,967	16,929	16,306	22,770	24,676	21,577	25,658	27,138
Shellfish	2,294	1,965	1,935	1,995	2,009	5,958	4,648	3,960	3,906	4,123
Total	88,741	71,167	67,244	74,425	76,561	80,619	91,165	59,169	74,041	75,046

Source: Scottish Sea Fisheries Statistics 2014: Landings Tables

Chart 2 Total Fish Landings into Shetland by Type



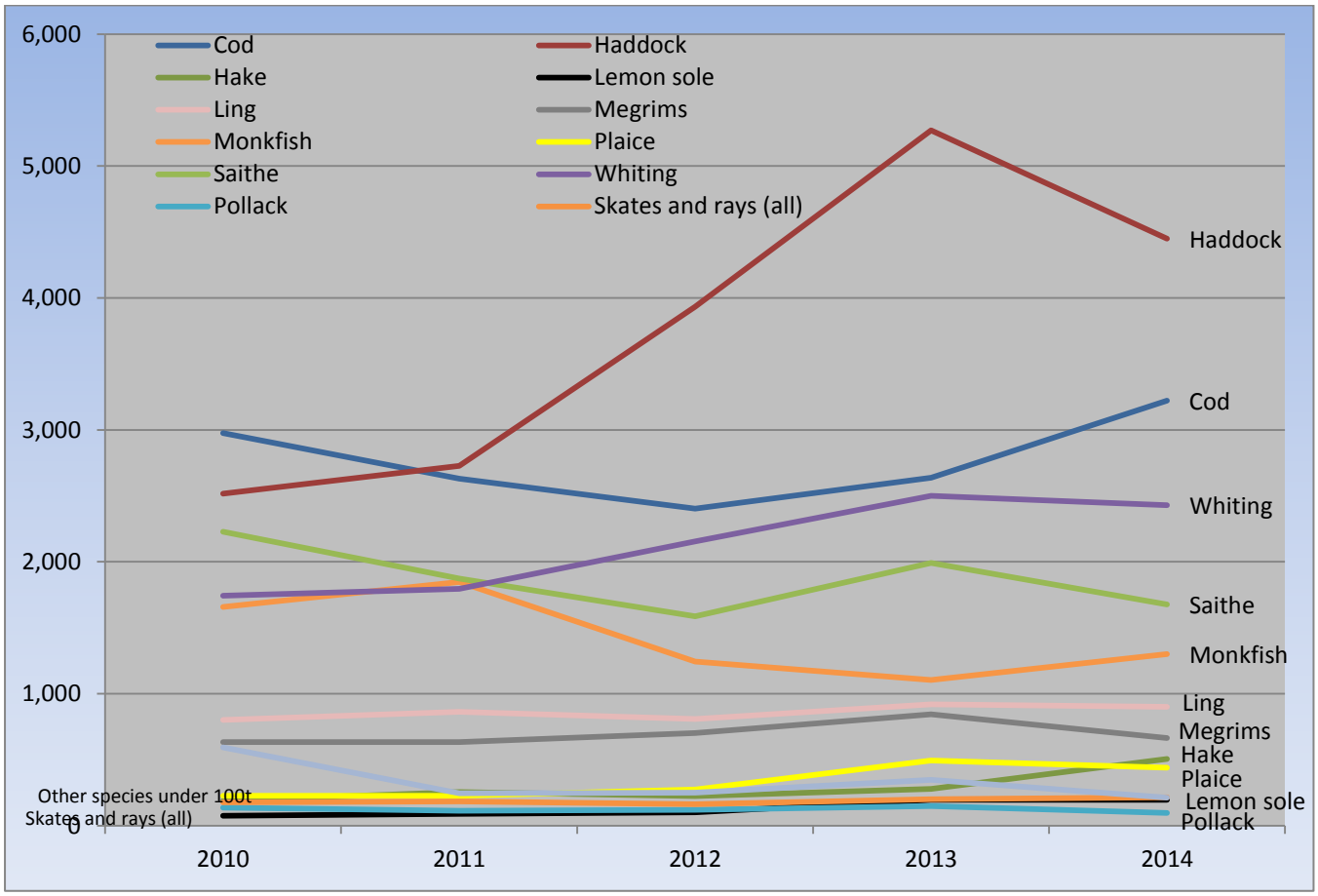
From the table and chart above it can be seen that, the volume of pelagic landings has fallen by 20% and value by 15%, over the period. Landings of demersal species have grown by 17%, and value has risen by 19%, and landings of shellfish have fallen by 12% with a drop in value of 30%. Therefore from this data the growth of the demersal market in the islands is apparent.

The breakdown of landings into Shetland by species, in terms of both tonnage and value for the last 5 years, is contained in the table and charts below.

Table 11: Total Fish Landings into Shetland by Species										
	Volume (t)					Value (£000)				
Year	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
Total Demersal	**13,952**	**13,480**	**13,967**	**16,929**	**16,306**	**22,770**	**24,676**	**21,577**	**25,658**	**27,138**
Catfish	46	40	43	51	49	72	74	79	95	90
Cod	2,976	2,631	2,404	2,637	3,222	5,775	5,743	4,601	5,174	6,608
Cuckoo ray	69	112	92	110	119	71	117	73	91	84
Haddock	2,516	2,728	3,935	5,270	4,449	3,137	3,425	4,370	6,934	6,765
Hake	190	254	225	280	506	224	344	309	438	737
Lemon sole	74	90	102	195	196	218	353	348	680	834
Ling	802	863	809	919	901	975	1,198	1,069	1,201	1,062
Megrims	634	633	701	844	664	1,841	2,193	2,042	2,222	1,950
Monkfish	1,659	1,846	1,244	1,105	1,300	5,515	6,210	3,921	3,496	3,895
Plaice	226	227	273	494	440	171	194	209	347	382
Pollack	136	112	120	148	97	287	275	253	301	213
Red gurnards	18	23	28	45	30	5	10	11	16	12
Saithe	2,227	1,873	1,588	1,991	1,677	1,919	1,844	1,555	1,571	1,477
Skates and rays	78	32	26	29	39	80	40	24	27	38
Spotted ray	29	39	44	62	56	40	57	50	69	61
Tusk	40	32	27	33	24	35	31	25	24	18
Whiting	1,744	1,794	2,155	2,501	2,429	1,936	2,149	2,292	2,568	2,661
Witches	72	88	91	75	61	88	127	122	84	79
Other demersal	417	63	63	143	48	383	292	223	320	172
Total Pelagic	**72,495**	**55,722**	**51,342**	**55,500**	**58,247**	**51,891**	**61,841**	**33,632**	**44,477**	**43,786**
Herring	7,542	9,440	15,925	11,441	6,576	2,255	4,608	7,123	4,448	1,691
Horse mackerel	2,861	2,146	1,489	179	69	1,398	1,120	849	118	8
Mackerel	56,235	44,136	28,404	43,879	51,601	47,026	56,113	24,169	39,911	42,086
Other pelagic	5,858	-	5,524	-	-	1,212	-	1,492	-	-
Total Shellfish	**2,294**	**1,965**	**1,935**	**1,995**	**2,009**	**5,958**	**4,648**	**3,960**	**3,906**	**4,123**
Edible crabs	317	296	343	460	639	315	299	383	511	733
Lobsters	34	30	36	36	42	407	365	488	430	558
Scallops	1,077	910	1,147	1,157	990	3,030	1,574	1,943	1,921	1,885
Squid	228	157	38	80	108	646	642	179	358	330
Velvet crabs	275	263	232	185	168	693	814	699	604	519
Whelks	14	20	53	36	34	7	10	32	25	26
Other shellfish	349	289	86	42	28	860	943	236	56	72
Total landings	**88,741**	**71,167**	**67,244**	**74,425**	**76,561**	**80,619**	**91,165**	**59,169**	**74,041**	**75,046**

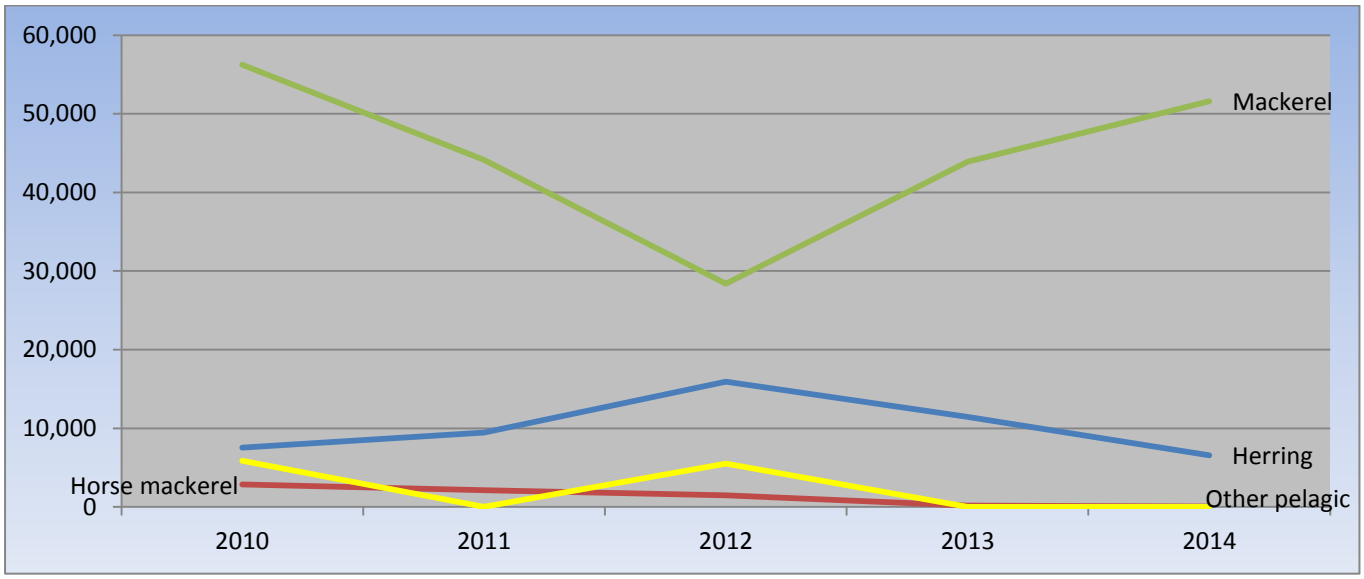
Source: Scottish Sea Fisheries Statistics 2014: Landings Tables

Chart 3 Total Demersal Landing Volumes into Shetland by Species



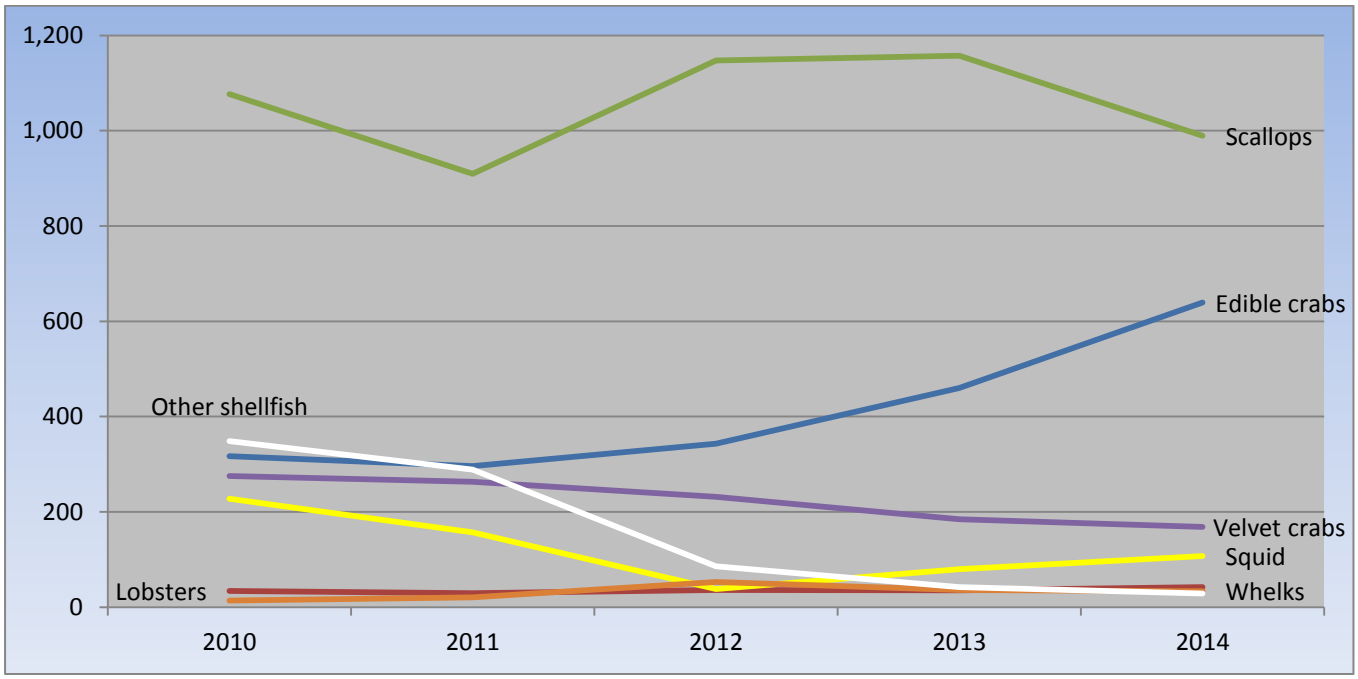
From the table and chart above it can be seen that, the main demersal species landed were haddock and cod. There has been a significant rise in haddock landings of 1,933 tonnes or 77% over the period, with a rise in value of £3.6m or 115%. Cod landings have risen by 246 tonnes or 8% with a rise in value of £833,000 or 14%. Haddock has passed cod as the main demersal species landed.

Chart 4 Total Pelagic Landing Volumes into Shetland by Species



From the table and chart above it can be seen that, the main pelagic species landed was mackerel. There have been significant variations in mackerel landings, from a high of 56,235 tonnes in 2010, to a low of 28,404 tonnes in 2012, with values varying from £56.1m in 2011 to £24.1m in 2012. Therefore fluctuation in relation to the volume and value of mackerel landings, can greatly influence the overall figures for fish landings into Shetland.

Chart 5 Total Shellfish Landing Volumes into Shetland by Species



From the table and chart above it can be seen that, the main shellfish species landed were scallops and edible crabs. The volumes and values of shellfish landed in the islands are relatively small when compared to pelagic and whitefish species. However they are the mainstay of a significant proportion of the under 10m fleet. There has been a fall in scallop landings of 87 tonnes or 8% over the period, with a fall in value of £1.1m or 38%. Edible crab landings have risen by 322 tonnes or 101% with a rise in value of £418,000 or 133%.

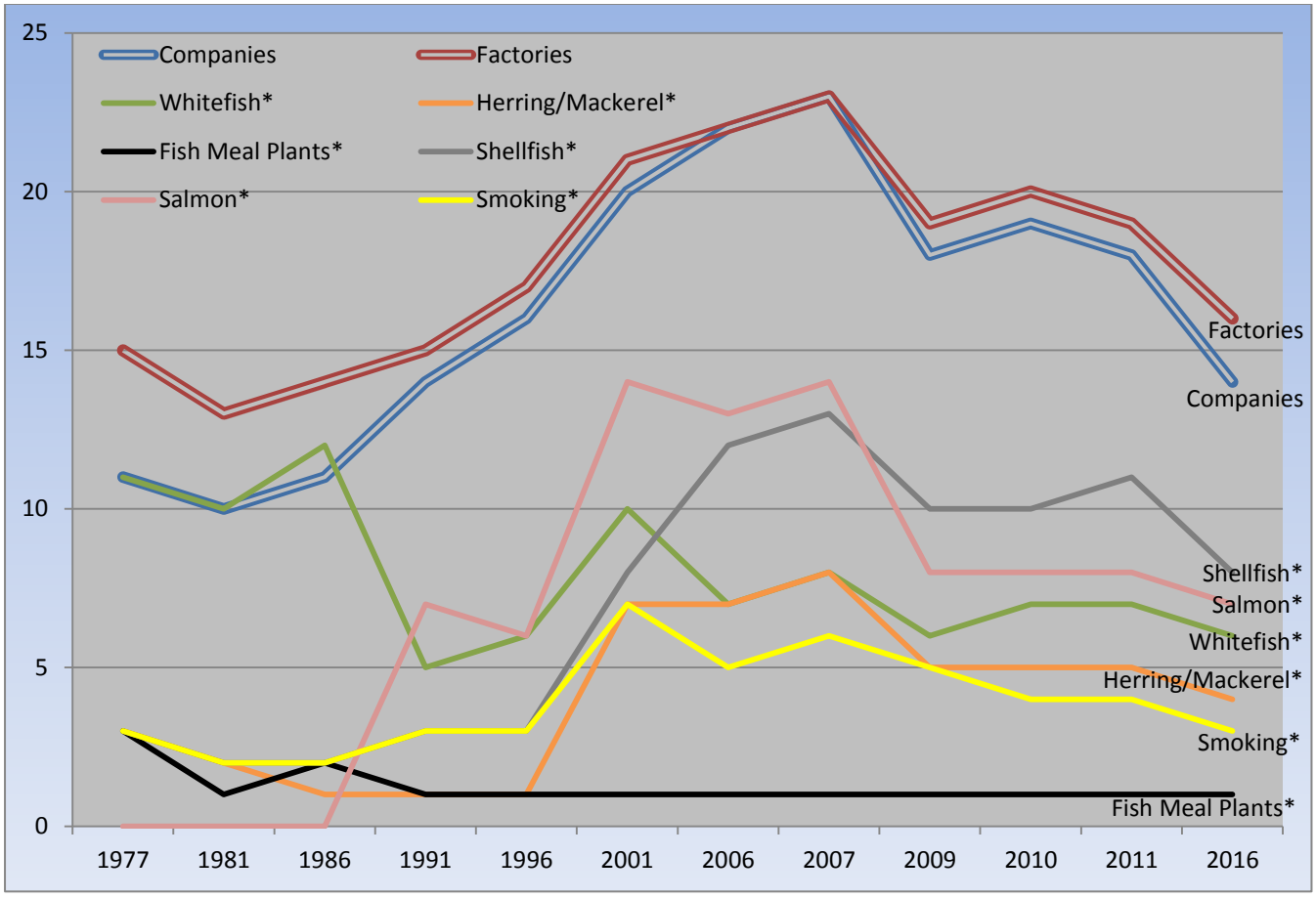
Fish Processing

Fish processing has historically been an important part of the Shetland economy, however over time the focus of the sector has fluctuated between demersal and pelagic species, and latterly between wild caught and farmed seafood produce. Changes since the late 1970's are illustrated in the table and chart below.

Table 12: Fish Processing in Shetland 1997 - 2016												
	1977	1981	1986	1991	1996	2001	2006	2007	2009	2010	2011	2016
Companies	11	10	11	14	16	20	22	23	18	19	18	14
Factories	15	13	14	15	17	21	22	23	19	20	19	16
Whitefish*	11	10	12	5	6	10	7	8	6	7	7	6
Herring/Mackerel*	3	2	1	1	1	7	7	8	5	5	5	4
Fish Meal Plants*	3	1	2	1	1	1	1	1	1	1	1	1
Shellfish*	3	2	2	3	3	8	12	13	10	10	11	8
Salmon*	0	0	0	7	6	14	13	14	8	8	8	7
Smoking*	3	2	2	3	3	7	5	6	5	4	4	3

* Indicates number of processing lines; Source: Shetland in Statistics; 2016 industry estimate

Chart 6 Fish Processing in Shetland 1997 – 2016



From the table and chart above it can be seen that following a period of growth through the 1990's and early 2000's, which related to increased processing of farmed seafood produce, the numbers of companies and factories undertaking fish processing in the islands has decreased back to around 1991 levels. Over the period the composition of the processing sector has moved away from whitefish, which declined significantly in the 1980's, towards farmed salmon and shellfish (mussels).

2.2 Data for Scalloway

Population

From the table below it can be seen that according to Census data, in 2011 Scalloway had a total population of 1,343. This figure has been calculated by analysing the data for the Census Output Areas relating to the Scalloway area, and represents an increase of 19% since 2001, when the population stood at 1,129. It is also three and a half times higher than the average population growth level for Shetland over the period, which was 5.4%.

Table 13: Population Change, 2001 – 2011

Area	2001 Resident Population	2011 Census Population	Population Change 01-11	% Change 01-11
Scalloway	1,129	1,343	214	19%
Shetland	21,988	23,167	1,179	5.4%

Sources: Scottish Census 2011. Shetland in Statistics 2014

The table below shows population by age group for both Shetland and Scalloway based on 2011 Census data. The figures show that compared to Shetland as a whole, Scalloway has a higher percentage of adults in the 20-44 age groups, 35.4% as opposed to 30.9%, and a lower percentage in the 45-74 age groups, 34.2% as opposed to 37.9%, showing a proportionately younger adult population in the area than the Shetland average.

Table 14: Population by Age Group

	Shetland 2011		Scalloway 2011	
Age Group	Number	%	Number	%
0-4	1,389	6.0	87	6.5
5-9	1,326	5.7	86	6.4
10-14	1,450	6.3	80	6.0
15-19	1,451	6.3	55	4.1
20-24	1,295	5.6	80	6.0
25-29	1,253	5.4	104	7.7
30-44	4,606	19.9	291	21.7
45-59	5,063	21.9	287	21.4
60-64	1,557	6.7	73	5.4
65-74	2,143	9.3	100	7.4
75-84	1,178	5.1	70	5.2
85-89	296	1.3	20	1.5
90+	160	0.7	10	0.7
Total	**23,167**	**100**	**1,343**	**100**

Source: Scottish Census 2011

The table below shows economic activity for the 16-74 age groups in both Shetland and Scalloway based on the 2011 Census results. The figures show that Scalloway

follows a similar trend to the results for Shetland as a whole, with roughly 80% active. Scalloway has a slightly higher percentage of people in full time employment, 51% as opposed to 48%, but slightly lower percentages of part time and self employment 23% as opposed to 26%, than Shetland as whole.

Table 15: Economic Activity of Scalloway Residents(16-74)

	Shetland 2011		Scalloway 2011	
	Number	%	Number	%
Economically Active	**13,324**	**78**	**780**	**79**
Employee – Part-Time	2,977	17	161	16
Employee – Full Time	8,119	48	498	51
Self-employed	1,535	9	72	7
Unemployed	349	2	29	3
Full-time Student	344	2	20	2
Economically Inactive	**3,738**	**22**	**204**	**21**
Retired	2,191	13	108	11
Student	430	3	29	3
Looking after home or family	397	2	24	2
Long term sick or disabled	504	3	29	3
Other	216	1	14	1
Total	**17,062**	**100**	**984**	**100**

Source: Scottish Census 2011

The figures in the table above are based on the employment status of Scalloway residents, regardless of the location of that employment. The table below details employment within the Scalloway Community Council catchment area, regardless of where these employees live.

Table 16: Employment in the Scalloway Community Council Area 2014

	MFT	FFT	MPT	FPT	Total	MFTE	FFTE	TFTE
Total	263	131	68	154	616	286	182	468
Direct Fisheries	109	36	3	6	154	110	38	148
Seafood Dependent	178	66	20	42	306	185	80	265

Source – Shetland Seafood Sector Community Impact Study 2014/15, SSQC

From the table above it can be seen that total jobs in Scalloway in 2014 were 616, of these 154 or 25% were directly in the fisheries sector, and 306 or 50% were fisheries dependent. These jobs equated to 468 FTE's, 148 or 32% of which were directly in the fisheries sector, and 265 or 57% were fisheries dependent.

Fish Catching Scalloway

Landings made into Scalloway are the second highest of any Shetland port behind Lerwick, and represented between 3.4% and 6.3% of total landings into Shetland per year by weight, and 5.1% to 10.8% by value.

The vast majority of landings into Shetland are pelagic species, the vast majority of which are landed to a processing facility in Lerwick. This represented 76% of total quantity and 58% of the total value of landings into Shetland in 2014, with demersal species accounting for 21% of quantity and 36% of the value landed.[2] Scalloway has very little pelagic landings, and the vast majority of fish landed are demersal. This will be examined in more detail later in this report.

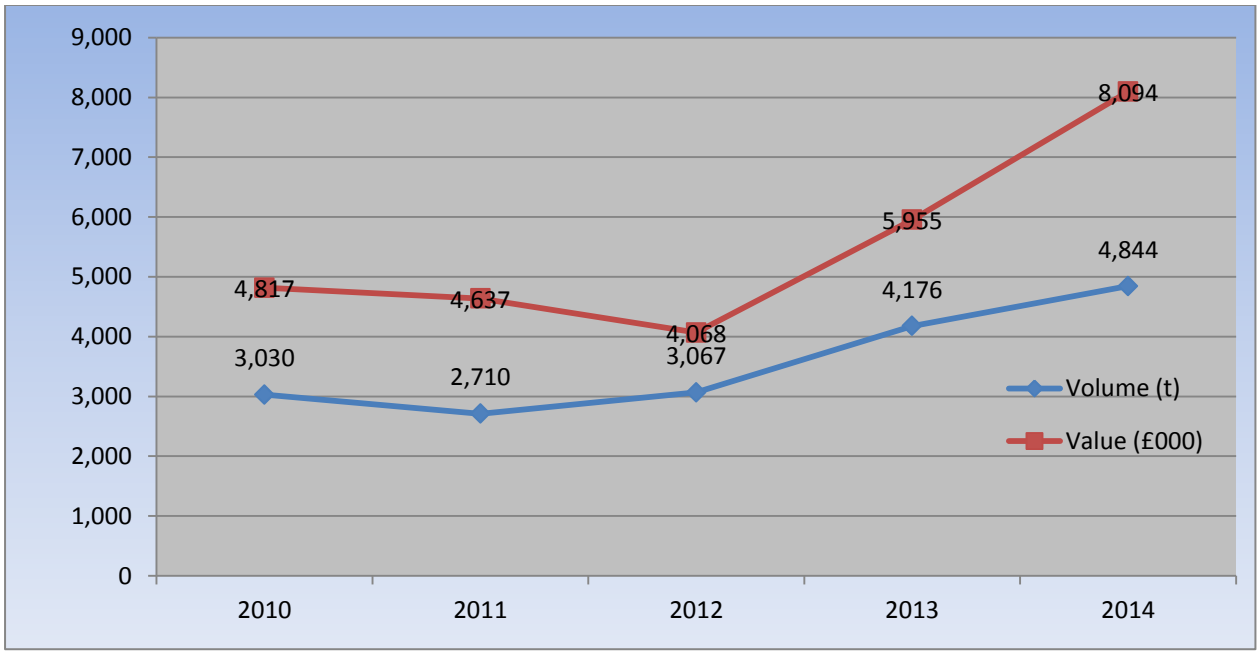
The table and chart below show the tonnage and value of all fish landings into Scalloway from 2010 – 2014. From this it can be seen that there has been significant rise in both volume and value since 2012.

Table 17: Total Fish Landings into Scalloway

Year	Volume (tonnes)	Value (£000)
2010	3,030	4,817
2011	2,710	4,637
2012	3,067	4,068
2013	4,176	5,955
2014	4,844	8,094

Source: Scottish Sea Fisheries Statistics 2014: Landings Tables

Chart 7 Total Fish Landings into Scalloway



[2] Source Marine Scotland

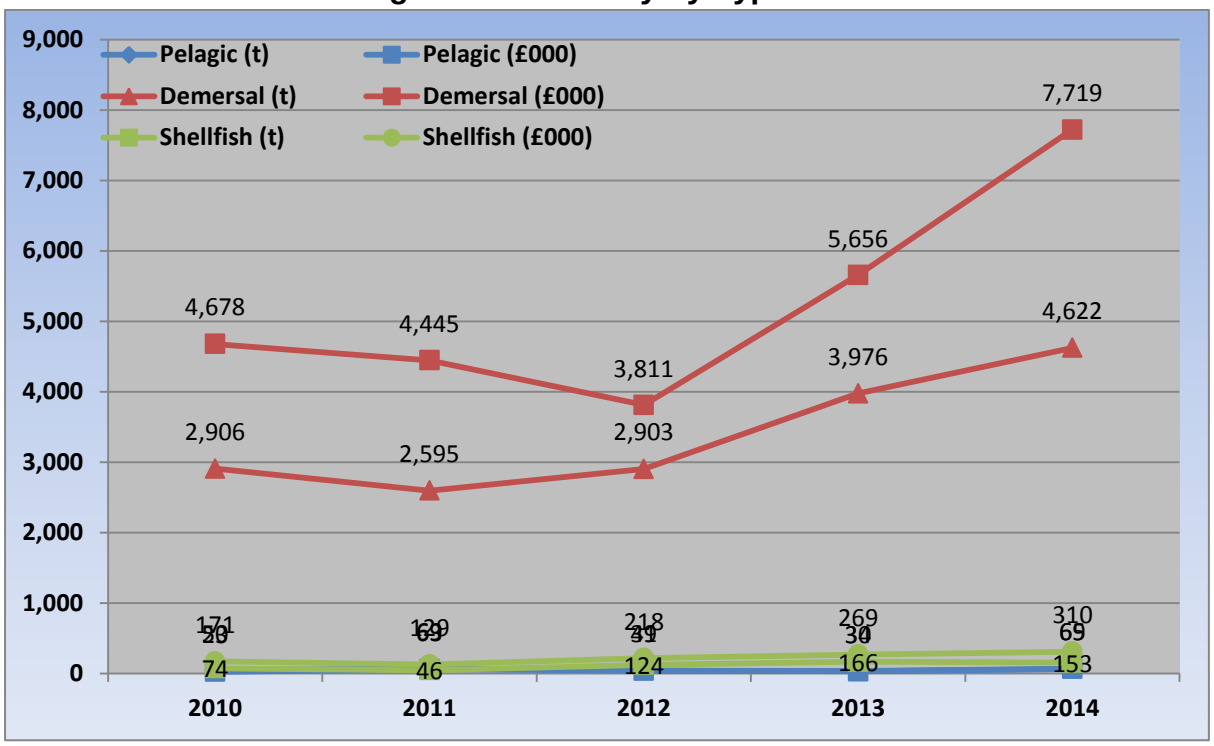
An analysis of landings by fish type shows that overall figures are greatly influenced by fluctuation in relation to the volume and value of demersal landings. This is detailed in the table and chart below.

Table 18: Total Fish Landings into Scalloway by Type

	Volume (t)					Value (£000)				
Year	**2010**	**2011**	**2012**	**2013**	**2014**	**2010**	**2011**	**2012**	**2013**	**2014**
Pelagic	50	69	41	34	69	23	63	39	30	65
Demersal	2,906	2,595	2,903	3,976	4,622	4,678	4,445	3,811	5,656	7,719
Shellfish	74	46	124	166	153	171	129	218	269	310
Total	3,030	2,710	3,067	4,176	4,844	4,871	4,637	4,068	5,955	8,094

Source: Scottish Sea Fisheries Statistics 2014: Landings Tables

Chart 8 Total Fish Landings into Scalloway by Type



Demersal landings made into Scalloway represented between 19% and 28% of total demersal landings into Shetland per year by weight, and 18% to 28% by value. Both the proportionate weight and value of demersal landings in Scalloway have risen year on year from 2012.

Pelagic landings made into Scalloway represented between 0.07% and 0.12% of total pelagic landings into Shetland per year by weight, and 0.04% to 0.15% by value. Therefore Scalloway is not a significant landing port for pelagic species in the islands.

Shellfish landings made into Scalloway represented between 2.3% and 8.3% of total shellfish landings into Shetland per year by weight, and 2.7% to 7.5% by value.

Although not as significant as demersal landings the actual weight and value of shellfish landings in Scalloway have risen from 2012.
Although the volume and value of pelagic landings has risen over the period, they remain a very small proportion of landings into the port, 1% - 3% by weight and 0% - 1% of value. Also although the volume and value of shellfish landings has risen over the period, they too remain a very small proportion of landings into the port, at between 2% and 4% by weight and 3% and 5% of value.

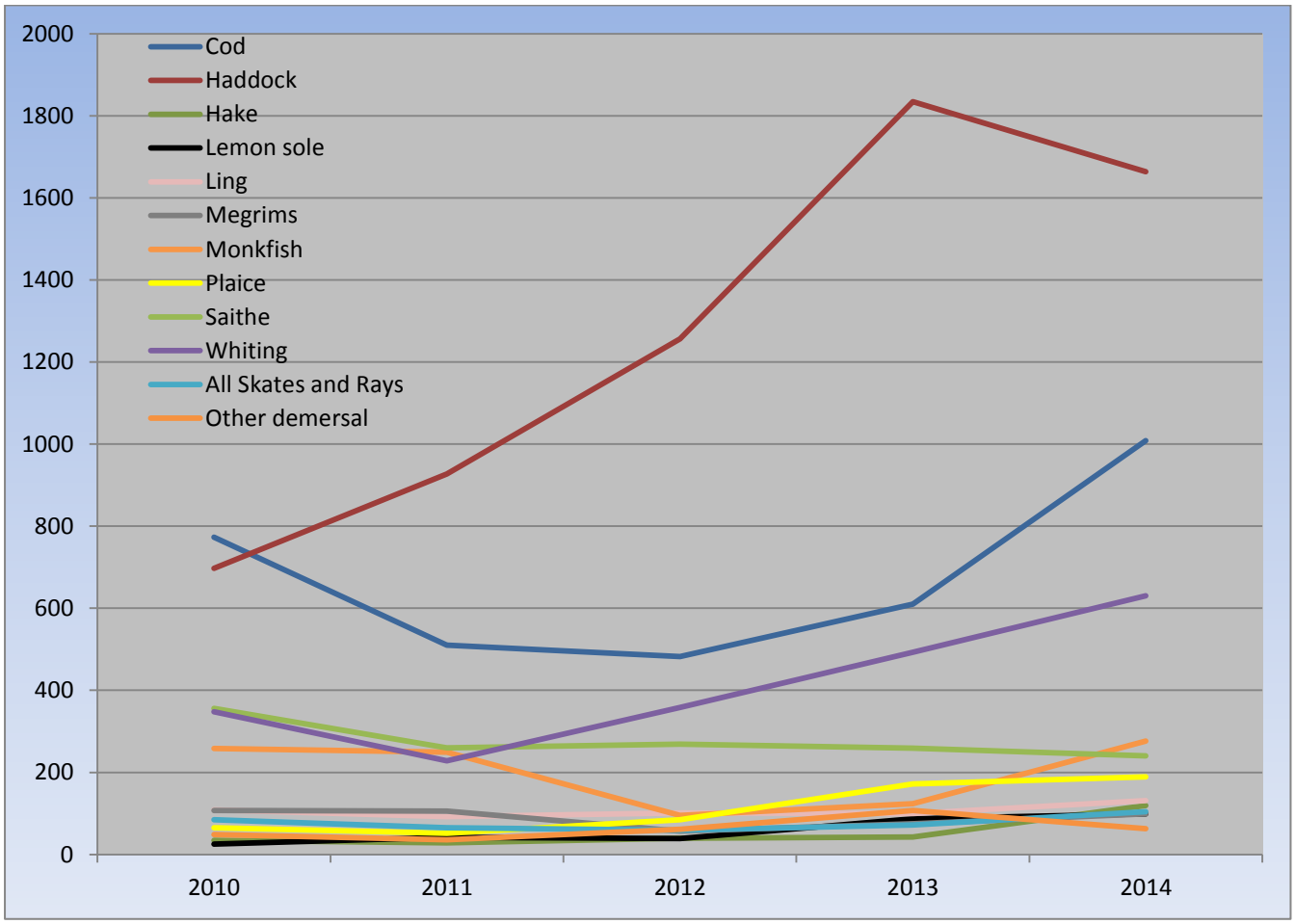
Therefore demersal landings are the mainstay of the port varying from 95% to 96% of landings by weight and 94% to 96% by value. In addition from this data, growth in demersal landings into the port is apparent, with a rise of 1,716 tonnes (59%) and £3m (65%) in value since 2010.

The breakdown of landings into Scalloway by species, in terms of both tonnage and value for the last 5 years, is contained in the table and chart below.

Table 19: Total Fish Landings into Scalloway by Species										
	Volume (t)					Value (£000)				
Year	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
Total Demersal	**2,906**	**2,595**	**2,903**	**3,976**	**4,622**	**4,678**	**4,445**	**3,811**	**5,656**	**7,719**
Catfish	0.8	1	1	1.4	1.3	1.1	1.8	1.7	2.6	2.1
Cod	773	510	482	610	1,008	1,441	1,104	902	1,208	2,083
Cuckoo ray	19	26	21	29	46	19	28	17	26	33
Haddock	697	927	1,256	1,834	1,664	843	1,044	1,337	2,348	2,525
Hake	34	28	40	43	119	46	36	54	68	186
Lemon sole	25	42	39	87	99	75	163	129	288	417
Ling	109	92	101	100	131	141	140	124	130	143
Megrims	107	106	57	75	99	349	363	150	208	297
Monkfish	258	249	95	124	276	848	859	287	391	809
Plaice	65	52	85	172	189	46	39	60	105	154
Pollack	13	8	29	24	23	28	21	52	46	45
Red gurnards	5.5	5.9	11	22	18	2	2.5	5.8	7	6.8
Saithe	356	260	269	259	240	292	241	235	191	206
Skates and rays	47	10	8.1	7.6	12	52	12	7.1	5.6	12
Spotted ray	19	29	30	35	46	25	44	34	38	51
Tusk	4.1	1.7	1.1	2.4	1.7	3.5	1.5	1	1.6	1.3
Whiting	348	228	358	493	630	406	282	359	493	685
Witches	3.1	4.5	3.7	4.4	4.6	3.9	7.2	4.6	5.6	6.7
Other demersal	22	15	16	53	14	56	56	51	94	56
Total Pelagic	**50**	**69**	**41**	**34**	**69**	**23**	**63**	**39**	**30**	**65**
Herring	0.3	0.1	1.1	0	0	0.6	0.2	1.5	0	0
Horse mackerel	0	0	1.6	0	0	0	0	0.8	0	0
Mackerel	50	69	38	34	69	22	63	37	30	65
Other pelagic	0	0	0	0	0	0	0	0	0	0
Total Shellfish	**74**	**46**	**124**	**166**	**153**	**171**	**129**	**218**	**269**	**310**
Edible crabs	2.1	14	84	81	42	1.6	18	105	94	45
Lobsters	1.4	0.2	0.7	0.5	0.9	16	1.7	7.5	6.3	12
Scallops	4.4	6.4	16	48	45	7.8	14	28	71	81
Squid	45	19	7.9	12	48	104	67	37	51	128
Velvet crabs	21	5.9	15	16	17	40	17	40	40	44
Whelks	0	0	0	7.9	0	0	0	0	5.5	0
Other shellfish	0.2	0.6	0	0.3	0	1.1	11	0	1	0
Total landings	**3,030**	**2,710**	**3,067**	**4,176**	**4,844**	**4,871**	**4,637**	**4,068**	**5,955**	**8,094**

Source: Scottish Sea Fisheries Statistics 2014: Landings Tables

Chart 9 Total Demersal Landing Volumes into Scalloway by Species



From the table and chart above it can be seen that, the main demersal species landed are haddock and cod. There has been a significant rise in haddock landings of 967 tonnes or 139% over the period, with a rise in value of £1.7m or 200%. Cod landings have risen by 235 tonnes or 23% with a rise in value of £1m or 106%. Haddock has passed cod as the main demersal species landed.

As would be expected in line with increased fish landings, the number of boxes landed to both Scalloway and Lerwick Fish Markets has risen significantly, as illustrated in the table and charts below.

Table 20: Boxes Landed to Fish Markets in Shetland														
	Volume (Boxes)							%						
Year	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**03**	**04**	**05**	**06**	**07**	**08**	**09**
Total	119,083	132,224	162,422	193,523	217,038	263,729	262,297							
Lerwick	97,620	118,605	139,035	159,688	166,085	193,974	188,226	82	90	86	83	77	74	72
Scalloway	21,463	13,619	23,387	33,835	50,953	69,755	74,071	18	10	14	17	23	26	28
Year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016***	**10**	**11**	**12**	**13**	**14**	**15**	**16**
Total	248,550	258,245	260,757	303,282	307,276	307,840	136,501							
Lerwick	184,832	197,415	200,746	221,073	203,493	211,188	80,162	74	76	77	73	66	69	59
Scalloway	63,718	60,830	60,011	82,209	103,783	96,652	56,339	26	24	23	27	34	31	41

Source: Shetland Seafood Auction * Year to date

Chart 10 Boxes Landed to Fish Markets in Shetland

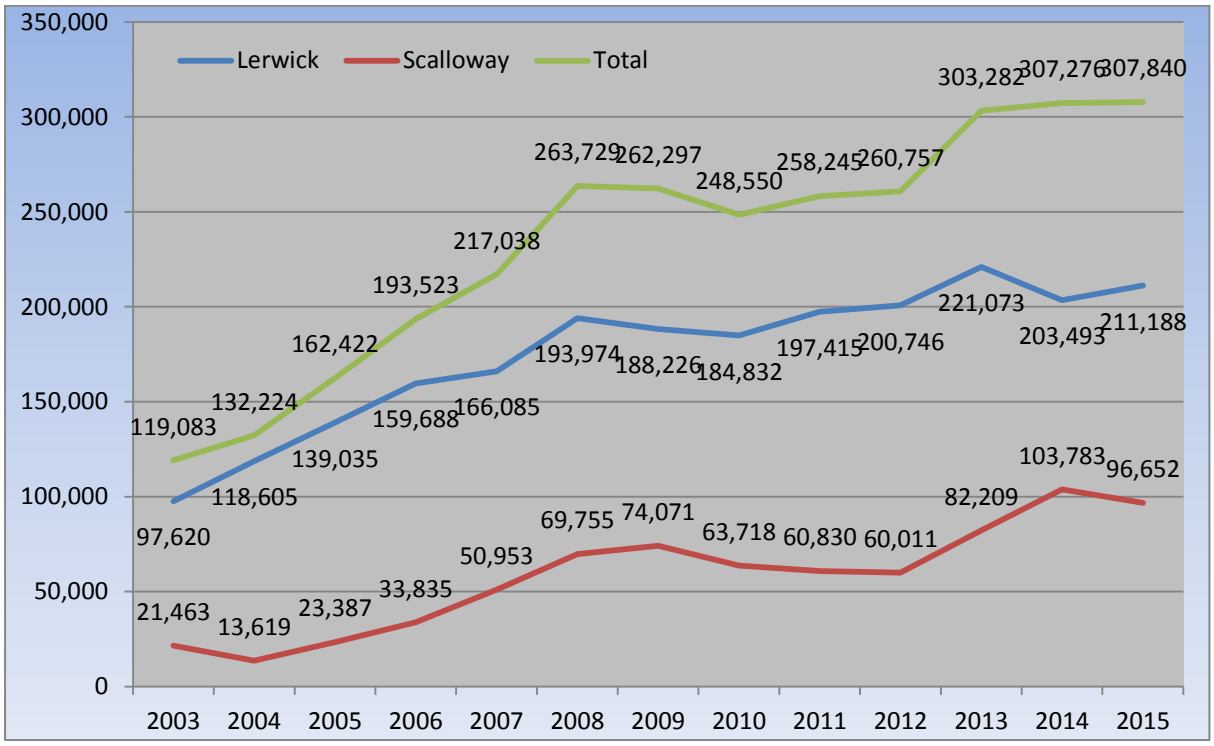
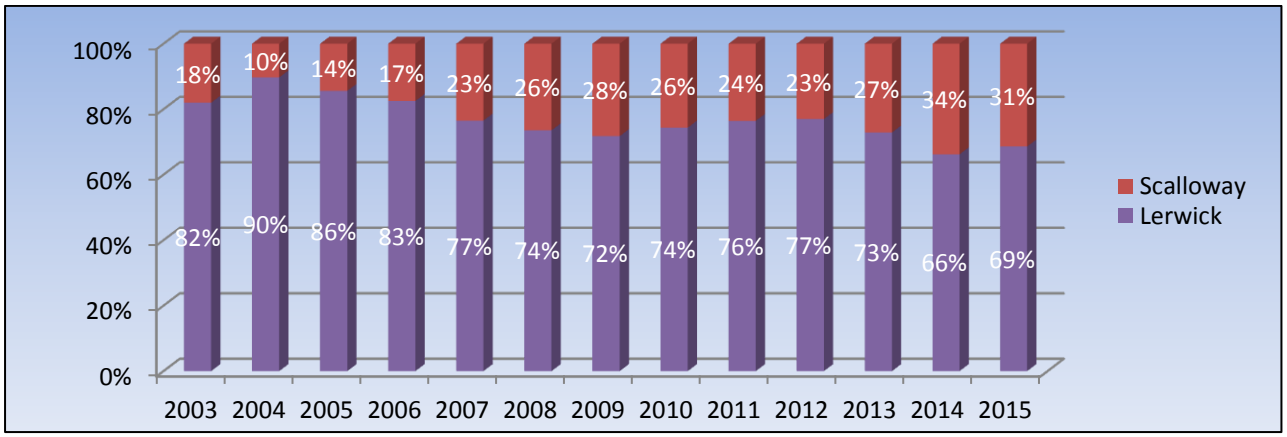


Chart 11 Percentage of Boxes Landed to Fish Markets in Shetland



From the table and charts above it can be seen that the total number of boxes of fish landed into Shetland has risen year on year from 2003, rising from 119,083 to 307,840 or 159% between 2003 and 2015. Boxes landed into Scalloway have risen from a low of 13,619 in 2004, to 96,652 in 2015, an increase of 610%. This is also reflected in the proportionate share of box landings being made into Scalloway, which has risen from a low of 10% in 2004 to a high of 34% in 2014, and is currently 41% for the first half of 2016.

The following tables and charts detail individual and average landings both overall for Fish Markets in Shetland and also solely to Scalloway. Tables detailing monthly statistics are contained in Appendix 1.

Table 22 Individual and Average Landings to Fish Markets in Shetland

	2003			2004			2005			2006			2007			2008			2009		
	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3
1000+	15			16			49			66			92			126	11		110	14	1
Highest	1325			1240			1543			1952			1850			2700			3000		
Total	119083			132224			162422			193523			209833			263729			262297		
Average	486			540			663			790			856			1076			1071		
	2010			2011			2012			2013			2014			2015			2016*		
	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3
1000+	102	15		119	14		126	8		120	29		113	30	6	107	36	3	38	17	4
Highest	2510			2830			2614			2830			4156			3675			3618		
Total	248550			258245			260757			303282			307276			307840			136501		
Average	1014			1054			1064			1238			1254			1256			1484		

Source: Shetland Seafood Auction
1 = 1000 – 1999 boxes; 2 = 2000 – 2999 boxes; 3 = 3000+ boxes
* Year to date

Table 23 Individual and Average Landings to Scalloway Fish Market

	2003			2004			2005			2006			2007			2008			2009		
	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3
1000+	1												2			5			9		
Highest	1000			635			802			975			1090			1280			1380		
Total	21463			13619			23387			33835			50953			69755			74071		
Average	88			56			95			138			208			285			302		
	2010			2011			2012			2013			2014			2015			2016*		
	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3
1000+	5			5			2			9			23	1		21			18		
Highest	1135			1751			1208			1215			2475			1755			1733		
Total	63718			60830			60011			82209			103783			96652			53317		
Average	260			248			245			336			424			394			580		

Source: Shetland Seafood Auction
1 = 1000 – 1999 boxes; 2 = 2000 – 2999 boxes; 3 = 3000+ boxes
* Year to date

From the table and charts above it can be seen that not only has the number of boxes landed into Shetland increased significantly, so have both the average sizes of landings on any given day and peak box landing numbers.

In 2003 there were 15 market days in Shetland where boxes landed exceeded 1000. By 2015 this had risen to 146, including 36 days with over 2000 boxes and 3 with over 3000 boxes. The highest landing peak was recorded in 2014, with 4,156 boxes of fish landed on one market day.

Scalloway Fish Market had only 1 market day exceeding 1,000 boxes between 2003 and 2006. In 2014 there were 24, including 1 day over 2,000 boxes and in 2015 there were 21. There have already been 18, in the first half of 2016.

It should be noted that the increase in landing figures to these markets may not reflect the true level of demand for Shetland as a landing port, as vessels are now sometimes turned away, due to a lack of capacity at these fish markets. Therefore actual demand at peak times may well be higher than indicated by these figures.

There are no separate income and expenditure figures kept by the SIC for the Scalloway Fish Market. However the following table makes an estimation of the income generated from the market, and associated expenditure based on discussions with SIC officials

Table 24 Scalloway Fish Market Accounts

Income	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**Combined**	**Average**
Fish Landing Dues*	118,881	104,543	142,945	187,157	225,068	778,594	155,719
Expenditure							
Employee Costs**	33,018	33,840	41,637	44,286	43,746	196,527	39,305
Property & Fixed Plant^	23,104	18,781	24,133	26,836	22,807	115,662	23,132
Supplies and Services^^	923	1,659	1,870	1,745	3,844	10,042	2,008
Trans & Mobile Plant “	2,361	3,013	3,961	3,377	4,972	17,684	3,537
Admin “”	2,538	2,574	3,047	3,182	1,441	12,781	2,556
Surplus	59,474	47,250	71,344	110,912	149,699	438,680	87,736

Source: SIC Ports and Harbours

* These figures include all landings to the port, some of which do not go through the fish market. To compensate for this no additional income in relation to vessel dues, or service charges have been included in income figures relating to the market.

** 20% of total port costs; ^ 17% of total port costs; ^^ 2% of total port costs; “21% of total port costs; “” 20% of total port costs

From the table above it can be seen that fish landing dues at the port rose from £118,881 in 2011/12 to £225,068 in 2015/16, an increase of 89%. The fish market has operated at a surplus in every year ranging from £59,474 to £149,699 at an average of £87,736 per year, and a combined surplus over the last 5 years of £438,680.

3.0 Options Considered and Consultation

3.1 Options

In addition to the "do nothing/do minimum" option, four options were initially put forward for consideration, consultation and screening. These options were:-

1. Demolition of the existing Market, with no replacement
Demolition and removal of the existing market, with any landed fish transported by road to Lerwick for sale.

2. Refurbishment / Redevelopment of the existing building on the existing site
This option was to include a transport corridor and covered loading bays for trucks.

3. Replacement on the pier immediately to the south of the current Market site.
Relocation of the Market on an area currently used for net mending adjacent to the current market.

4. Replacement of the existing building on a new site at the west of the Harbour in conjunction with quay developments.
This option would involve the construction of a new quay at the Harbour, which the fish market would be sited on.

These options were considered and refined during consultation for the project, with both hybrid options and any other potentially beneficial ideas that emerged also considered.

3.2 Consultation

In order to ascertain a full picture of the future options for the facility, consultation was undertaken with a number of stakeholder and interested parties. All consultation was undertaken face-to-face with a total of 29 stakeholders interviewed, as detailed under work steam 3 on P3 of this report. In addition Shetland Fishermen's Producer Organisation, gathered the views of members at a PO meeting, and a selection of individuals working at the Scalloway Fish Market for a variety of stakeholders were consulted. A summary of these consultations and issues or ideas raised is detailed below.

3.3 Option 1 Demolition of the existing Market, with no replacement

The overwhelming majority of those interviewed were not in favour of this option. Comments made related to:-

- Potential issues with the availability of transportation particularly at night, and potential impact on the quality of fish from double handling. Although it was

pointed out that a workable system in terms of both fish quality and transportation has been in place in Cullivoe for a number of years.

- The additional cost of transportation from Scalloway to Lerwick, was highlighted as an additional expense which would have to be borne by fishermen.
- Potential lack of capacity at the Lerwick Fish Market to cope with the level of landings made into Scalloway was raised as an issue, which are of a much larger scale than Cullivoe landings. This was certainly felt to be the case as long as the existing Market in Lerwick was in operation, and was felt by many to still be a major issue even if a new larger Market were constructed in Lerwick. It was stated that capacity at the new Market in Lerwick had been based on the assumption that there would be a complementary Fish Market in Scalloway.
- Given the volumes of fish being landed in Scalloway it was felt movement of fish to Lerwick would be a "logistical nightmare", particularly during peak landing periods.
- It was also stated that issues such as weather and the location of fish stocks, meant that it was imperative in terms of both safety and economics that Shetland retained Fish Markets on both the east and west sides of the islands.
- It was also stated that if the Fish Market were to be removed from Scalloway, this would result in the current landing fee charging system being very unfair. Currently all landing dues for fish landed in Scalloway, or fish not landed at an SIC pier but stored in Scalloway Fish Market are paid to the SIC at a rate of 2.5% of their value. If fish were to be transported to Lerwick Fish Market for sale it is likely that an alternative arrangement would be required for fish landed in Scalloway. This would result in either a reduction in income to the SIC if all or part of the landing dues were transferred to Lerwick, or additional cost to fishermen if an additional charge was made for storage within the Lerwick Fish Market for fish landed in Scalloway, and a 2.5% landing fee continued to be paid to the SIC.

3.4 Option 2 Refurbishment / Redevelopment of the existing building on the existing site

The overwhelming majority of those interviewed felt this option was feasible, although there were some reservations in relation to potential periods of Market closure. Comments made related to:-

- That the location of the current Market was very well suited to the needs of industry, particularly in terms of shelter and frontage.
- This option was considered to be the most inexpensive in terms of developing a fit for purpose Fish Market in Scalloway.
- Concern was raised over potential closure of the Market during refurbishment, including issues raised in relation to option 1 in terms of double handling, transportation and the ability of Lerwick Fish Market to cope. It was stated however that industry could cope with a short period of closure of the Market, if an enhanced facility would be available following refurbishment. The

overwhelming opinion was that refurbishment should be phased in order to minimise or remove the need for closure, and that the Market should only be closed to landings if there were no other feasible option during any phase of refurbishment or redevelopment. It was further suggested that if a period of closure was necessary this should be timed around the period from March to July when landings are traditionally lower, and it was stated by fishermen that a period of closure of up to 6 months might be bearable.

- Some suggestion was also made that any refurbishment may be better to wait until the new Market was available in Lerwick in case of capacity issues if Scalloway had to be closed during any period of refurbishment. However there was also acknowledgement that the pressing need for modernisation and development of the Fish Market in Scalloway may mean that this would not be possible.
- The issue of landing fee distribution between Lerwick and Scalloway similar to those stated under option 1, may also be a concern if Scalloway Fish Market should require to be closed at any point during refurbishment.
- The need for a transport corridor and covered loading bays was recognised by all stakeholders both due to the introduction of palletisation of fish at the Market, and to ensure improvements in quality and hygiene. Suggestions for the width of a transport corridor ranged from 3.5m to 5m. It was stated that four loading bays would be preferable, and the transport operator requested that the SIC involve them in the design of any loading bays and ramped access. Opinion differed as to whether a wall would be required between the main Market and the transport corridor. It was also suggested that loading bays be sited away from other industrial premises in the vicinity of the Market.
- The need for welfare facilities for Market workers and visitors was also highlighted with suggestions including a washing and shower room, tea room, laundry, drying room and changing area. Suggestions for location included utilising some of the upstairs of the building or in current office spaces in the South of the ground floor. There was also a suggestion that the current office space could be relocated upstairs, which might solve some issues relating to heating and chilling of the Market.
- Several stakeholders also stated there was a need to deepen the Market. There were several reasons given for this including increasing landings at the port which impact on the capacity of the current Market which cannot always cope with the amount of fish landed and/or boats are currently turned away due to capacity issues; additional room being required following both the introduction of palletisation and electric forklifts on the Market; additional room being required in order to house grading machinery within the Market. Suggestions for additional depth ranged from 5m to 10m.
- A number of stakeholders stated that if the Market were to be refurbished it would be an ideal opportunity to reconfigure the internal layout and construct three larger bays as opposed to the current four.

- The need for dedicated overnight forklift charging points was highlighted and it was suggested that these could be located within the transport corridor.
- The possibility of photovoltaic roof panels to help power chilling within the Market was also suggested.
- There was some difference of opinion in relation to water depth at the current Market site. The current water depth is 4.8m. However fishermen consulted did not see this as a major problem. While it was acknowledged that a small number of boats may need to berth at high tide, this was not felt to be a major issue for the fleet. There are some larger foreign boats that fish around Shetland, however it was stated that a number of these boats operate under contract and land for transhipment only. It was believed that these boats could currently berth at other areas within Scalloway Harbour, but do not do so.
- The possibility of dredging at the current Market site to increase water depth was also mentioned, however it was not known if this was possible nor if it would impact on the structural integrity of the existing pier.
- There were several comments made in relation to the upstairs premises within the current Fish Market, which have been unoccupied for a considerable period. It was felt that there may be potential for these to be brought back into productive use either as small business units/offices, storage facilities and/or welfare facilities for Market workers and visitors. Mention was also made of a potential new start business in Scalloway that might be interested in the facilities. A number of those interviewed also stated either first hand or through connections within the community that several businesses and organisations had enquired about leasing premises upstairs in the Fish Market and had either “got nowhere with the SIC”, or had been quoted an extremely high rental charge. Comments were also made that if tenants were issued with a full repairing lease issues such as structural repairs would become a shared cost which would reduce SIC expenditure. The issue of access to the upstairs floor should a single storey extension be constructed at the back of the Market was highlighted. It was suggested that access points be placed at each end of the building, and the possibility of a walkway along any extension was suggested to allow access along full length of the upstairs. Issues in relation to access and exit in the case of fire were raised, as was the need to ensure adequate parking for any upstairs development.
- Overall it was felt that refurbishment and redevelopment of the existing Market was a workable solution for the modernisation and upgrading of Fish Market facilities in Scalloway. However careful planning of both the design of any redeveloped Market, and the phasing and timing of any construction work would be required, to ensure a fit for purpose and future proofed facility is developed at minimal disruption to industry.

3.5 Option 3 Replacement on the pier immediately to the south of the current Market site

The overwhelming majority of those interviewed also felt this option was feasible, although there were some reservations in relation to the size of the proposed site and potential need to demolish part of the existing Fish Market, as well as the loss of a net mending area. Comments made related to:-

- It was felt that this could also be a good sheltered location for a Fish Market, although there was some opinion that it was not as good as the existing site. The fishermen surveyed did not feel this site was as good as the current Market location, and were worried about the loss of a net mending area.
- Several stakeholders stated that they did not feel the site was large enough for a new build Market, unless part of the South end of the existing Market was demolished.
- It was felt that consideration required to be given to shape and layout of any new Market. In the main it was felt that a single storey building shorter, but deeper, and with more capacity than the existing building would be preferred. Sufficient parking and turning areas were highlighted, and it was also stated that energy efficiency and future proofing should be considered.
- It was suggested that a new build market might require around 70% of the floor space of the new Lerwick Market.
- There was some minor demand for office space from stakeholders. As well as suggestions of a café and heritage displays to link with the nearby Museum
- As with option 2, features such as a transport corridor, covered loading bays, forklift charging points, larger bays, welfare facilities and photovoltaic panels were also suggested.
- Water depth and dredging issues were also felt to be similar to comments made with regard to option 2.
- It was felt that a new build could possibly be constructed to a higher specification, and more have a more bespoke layout than refurbishment of the existing Market, however it was also acknowledged that is was likely to be more expensive.
- An integral ice plant was suggested however the current ice supplier did not believe this would be practical, as their ice plant services businesses outside the fish catching sector.
- Overall it was felt that a new build to the South of the existing Market was a workable solution for the modernisation and upgrading of Fish Market facilities in Scalloway. However again careful design planning would be required, to ensure a fit for purpose and future proofed facility is developed. In addition in order to achieve a sufficiently sized market on this site it is possible that part of the existing Market would require to be demolished, and an alternative net mending area would be required.

3.6 Option 4 Replacement of the existing building on a new site at the west of the Harbour in conjunction with quay developments

The majority of those interviewed felt this would be the "jewel in the crown" option for Scalloway Harbour, however many stakeholders were concerned that the expenditure could not be justified solely in relation to fish catching activity, and that the cost and potential timescale of this option would make it unrealistic. There were some reservations that this site would not be as sheltered as the East side of the Harbour, and that siting the Market of the end of a new pier might restrict future development of the facility. In addition there was concern raised that siting the Market on a new pier might "sterilise" it for use by any other Harbour traffic, and that a deep water quay might be better developed for other sectors. Comments made related to:-

- It was felt that given Scalloway's strategic location a deep water quay would be beneficial for the Harbour as a whole, however concern was raised that this option may be more than is required for the fishing catching industry in the current climate.
- Concern was raised about the cost of this option, and whether it was realistic to expect that a project of this scale would proceed at this time. In addition it was stated that if this level of money was spent in Scalloway, that might have a knock-on effect on the ability of the SIC to invest in other pier infrastructure within the islands.
- Concern was also raised over the potential timescale for the construction of a new pier, and its knock-on impact on the timescale for a new Market. It was felt that an upgraded Market was required now, and that linking it to a deep water quay might lead to either excessive delay or halt the redevelopment of the Market altogether.
- It was felt the location of the Market would be very important to ensure easy safe access for both boats and land users, and concern was raised that the site could be exposed during bad weather.
- Concern was raised about whether this would be a multiuse pier, and about the practicality of operating a Fish Market in conjunction with other Harbour traffic. However no planning or environmental health issues were identified.
- It was suggested that it may be more practical to leave the Fish Market located on the East side of the Harbour, and develop a deep water quay on the West side for other potential traffic such as the oil, renewables, cargo and cruise ship markets.

3.7 Future Ownership and Management of Scalloway Fish Market

Stakeholders were also asked for their opinion in relation to the future ownership and management of a Fish Market in Scalloway. Comments made related to:-

- It was felt it would be very unusual for the port operator not to operate the Fish Market therefore it should continue to be operated by the SIC.
- It was felt that things worked fine as they were. The SIC did a fairly good job of operating the Market, and therefore there was not felt to be any need for change.
- It was felt it would be difficult to imagine another owner, and that it was unlikely the operation of the Fish Market would produce enough income to generate much interest from the private sector. If another operator did come in however it was felt that the SIC should own the building and lease it to them, and allow them to collect all landing dues.
- The only opinion that the SIC should remove themselves from the ownership and operation of the Market came from within the Council itself. This centred around a sense that operating a Fish Market does not really fall within the remit of the Council.

4.0 Initial Option Screening

A number of potential development proposals have been identified. These will now be assessed through screening to ascertain which should be subject to a more comprehensive appraisal, and which should be discounted at this point. The same questions pertinent to the feasibility of these proposals have been asked for each option. Each option has been scored in relation to these questions on a scale of 0 to 10, 0 being unfeasible and 10 being most feasible.

Table 25: Initial Option Screening

	1. Demolition		2. Refurbishment		3. New Build (East)		4. New Build (West)	
1. Is the proposal technically viable?	Yes.	10	Yes, but careful design planning required, and phasing construction work to minimise disruption	8	Yes, but requires careful design planning and may be issues in terms of site size and relocation of net mending area	8	Yes, but requires careful design planning including pier and may not be as sheltered as East Harbour.	8
2. Is there likely to be business disruption?	No but would result in removal of Fish Market facilities at the Harbour	2	Likely that there will be business disruption during refurbishment and possible temporary Market closure.	7	May cause business disruption if demolition of part of existing Market is required	7	No	10
3. Can the project be undertaken in a viable timescale?	Demolition could be undertaken over a few months	10	It is likely refurbishment could be complete within 2 years	8	It is likely a facility on this site would take 2 years	8	It is likely a facility on this site would take at least 5 years	2
4. Is there likely to be major impact on industry?	Yes, no Westside facilities; additional steaming and transportation costs; potential quality issues. Lack of capacity and logistical issues. New Lerwick Market capacity is designed assuming there will still be a market in Scalloway. It will not be able to cope with all landings into Shetland.	1	Potential short term impacts during refurbishment & potential temporary closure.	6	Potential short term impacts during construction if demolition of part of existing Market is required	8	Potential practicality issues of multiuse pier, and operating a Fish Market in conjunction with other Harbour traffic	7

5. What are the scale of capital costs involved?	Estimated at £125,000 to £250,000	10	Estimated at £2,080,358 not including upstairs	8	Estimated at £4,319,350 not including any demolition of existing Market	6	Estimated at £14,319,350 including new pier	2
6. What are the scale of on-going costs and income?	Minimal on-going costs, but potential significant loss of landing due income and/or additional costs to industry	2	Potential to reduce costs e.g. through improved energy efficiency, and increase income through increased landing capacity, quality control improvements, and redevelopment of upstairs	10	Potential to reduce costs e.g. through improved energy efficiency, and increase income through increased landing capacity and quality control improvements	8	Potential to reduce costs e.g. through improved energy efficiency, and increase income through increased landing capacity, quality control improvements and deep water quay.	9
7. Is there potential for further development?	Site could be redeveloped, but would result in the loss of Fish Market facilities at the Harbour	2	Scope for further development of the Market in the future, and concurrent development of upstairs premises	9	Scope for further development of the Market in the future. Potential for redevelopment of existing Market site, however this may be required for net mending	7	Limited scope if Fish Market located on a new pier. Will depend on width and other usage, may require further pier development	5
8. Is the project likely to attract funding?	No, but capital cost is low compared to other options. However would result in removal of Fish Market facilities at the Harbour	6	Eligible for EMFF funding, competition may be high.	8	Eligible for EMFF funding, competition may be high and costs are higher than option 2.	7	Fish Market eligible for EMFF funding, however deep quay development unlikely. Quay potentially eligible for ERDF funding, but not for fisheries. Potential timescale may mean project is outwith current scheme end dates.	5
Total		43		64		59		48
Rank		**4**		**1**		**2**		**3**

5.0 Interim Summary and Conclusions

This is an interim report relating to an options appraisal of potential developments at Scalloway Fish Market.

Background Data

Fish catching is an important sector of the Shetland economy, and despite a reducing local fleet size, fish landings into the islands have increased significantly, with Shetland the second highest landing district for Scotland.

Landings into Scalloway are the second highest of any Shetland port behind Lerwick, and represented between 3 % and 6% of total landings into Shetland per year by weight, and 5% to 11% by value, in the period from 2010 to 2014. However the vast majority of landings into Shetland are pelagic species, which represented a very small percentage of fish landed into Scalloway.

Fish landings into Scalloway have increased by 60% to 4,844 tonnes between 2010 and 2014, with an annual value in 2014 of £8m, which was 70% higher than in 2010. An analysis by fish type shows that overall figures are greatly influenced by the volume and value of demersal landings.

Demersal landings into Scalloway represented between 19% and 28% of total demersal landings into Shetland per year by weight, and 18% to 28% by value. Both the proportionate weight and value of demersal landings in Scalloway have risen year on year from 2012.

Therefore demersal landings are the mainstay of the port varying from 95% to 96% of landings by weight and 94% to 96% by value. In addition growth in demersal landings into the port is apparent, with a rise of 1,716 tonnes (59%) to 4,622 tonnes, and £3m (65%) in value to £7.7m since 2010.

The main demersal species landed are haddock and cod. There has been a significant rise in haddock landings of 967 tonnes or 139% since 2010, with a rise in value of £1.7m or 200%. Cod landings have risen by 235 tonnes or 23% with a rise in value of £1m or 106%. Haddock has passed cod as the main demersal species landed.

As would be expected in line with increased fish landings, the number of boxes landed to both Scalloway and Lerwick Fish Markets has risen significantly. The total number of boxes of fish landed into Shetland has risen year on year from 119,083 to 307,840 (159%) between 2003 and 2015.

Box landings into Scalloway have risen from a low of 13,619 in 2004, to 96,652 in 2015, an increase of 610%. This is also reflected in the proportionate share of box

landings being made into Scalloway, which has risen from a low of 10% in 2004 to a high of 34% in 2014, and is currently 41% for the first half of 2016.

Not only has the number of boxes landed into Shetland increased significantly, so have both the average sizes of landings on any given day and peak box landing numbers.

In 2003 there were 15 market days in Shetland where boxes landed exceeded 1000. By 2015 this had risen to 146, including 36 days with over 2000 boxes and 3 with over 3000 boxes. The highest landing peak was recorded in 2014, with 4,156 boxes of fish landed on one market day.

Scalloway Fish Market had only 1 market day exceeding 1,000 boxes between 2003 and 2006. In 2014 there were 24, including 1 day over 2,000 boxes and in 2015 there were 21. There have already been 18, in the first half of 2016.

It should be noted that the increase in landing figures to these markets may not reflect the true level of demand for Shetland as a landing port, as vessels are now sometimes turned away, due to a lack of capacity at these fish markets. Therefore actual demand at peak times may well be higher than indicated by these figures.

There are no separate income and expenditure figures kept by the SIC for the Scalloway Fish Market. However an estimation of the income generated from the market, and associated expenditure has been made based on discussions with SIC officials. These show that income rose from £118,881 in 2011/12 to £225,068 in 2015/16, an increase of 89%. The fish market has operated at a surplus in every year ranging from £59,474 to £149,699 at an average of £87,736 per year, and a combined surplus over the last 5 years of £438,680.

Options and Consultation

In addition to the “do nothing/do minimum” option, four options were initially put forward for consideration, consultation and screening. These options were:-

1. Demolition of the existing Market, with no replacement
2. Refurbishment / Redevelopment of the existing building on the existing site
3. Replacement on the pier immediately to the south of the current Market site.
4. Replacement of the existing building on a new site at the west of the Harbour in conjunction with quay developments.

A total of 29 stakeholders were interviewed. In addition Shetland Fishermen’s Producer Organisation, gathered the views of members at a PO meeting, and a selection of individuals working at the Scalloway Fish Market for a variety of stakeholders were consulted

Option 1 Demolition of the existing Market, with no replacement

- The overwhelming majority of those interviewed were not in favour of this option
- Potential issues with the availability of transportation particularly at night
- Potential impact on the quality of fish from double handling
- The additional cost of transportation from Scalloway to Lerwick
- Potential lack of capacity at the Lerwick Fish Market
- Weather and the location of fish stocks, meant require Fish Markets on both the east and west sides of the islands
- If Fish Market were to be removed from Scalloway, this would result in the current landing fee charging system being very unfair.

Option 2 Refurbishment / Redevelopment of building on the existing site

- The overwhelming majority of those interviewed felt this option was feasible
- Current Market location well suited to the needs of industry, particularly in terms of shelter and frontage
- This option considered the most inexpensive to develop a fit for purpose Fish Market in Scalloway
- Concern was raised over potential closure of the Market during refurbishment
- Issue of landing fee distribution between Lerwick and Scalloway
- The need for a transport corridor and covered loading bays
- The need for welfare facilities for Market workers and visitors.
- Several stakeholders also stated there was a need to deepen the Market
- Opportunity to reconfigure the internal layout and construct three larger bays
- The need for dedicated overnight forklift points charging points
- Possibility of photovoltaic roof panels to help power chilling within the Market
- Fishermen consulted did not see water depth as a major problem
- Possibility of dredging at the current Market site to increase water depth
- Potential to develop upstairs
- Overall it was felt this was a workable solution for the modernisation and upgrading of Fish Market facilities in Scalloway

Option 3 Replacement on the pier to the south of the current Market site

- The overwhelming majority of those interviewed felt this option was feasible
- Good sheltered location for a Fish Market
- Concern about the loss of a net mending area
- Possibly large enough for a new build, without existing Market demolition
- Single storey building shorter, deeper and with more capacity than the existing building would be preferred
- There was some minor demand for office space from stakeholders
- As with option 2, features such as a transport corridor, etc also suggested
- Water depth and dredging issues also similar to option 2
- It was felt that a new build could possibly be constructed to a higher specification
- Overall it was felt this was a workable solution for the modernisation and upgrading of Fish Market facilities in Scalloway.

Option 4 Replacement of the existing building on a new site at the west of the Harbour in conjunction with quay developments

- "Jewel in the crown" option for Scalloway Harbour
- It was felt that given Scalloway's strategic location a deep water quay would be beneficial for the Harbour as a whole
- However many stakeholders were concerned that the expenditure could not be justified solely in relation to fish catching activity
- There were some reservations that this site would not be as sheltered
- Siting the Market of the end of a new pier might restrict future development
- Concern that if this level of money was spent in Scalloway, that might have a knock-on effect on the ability of the SIC to invest in other piers
- Concern about potential timescale for the construction of a new pier, and its knock-on impact on the timescale for a new Market
- Concern about whether this would be a multiuse pier, and the practicality of operating a Fish Market in conjunction with other Harbour traffic. However no planning or environmental health issues were identified
- It was suggested that it may be more practical to leave the Fish Market located on the East side of the Harbour, and develop a deep water quay on the West side for other potential markets.

Future Ownership and Management of Scalloway Fish Market

- It was felt it would be very unusual for the port operator not to operate the Fish Market therefore it should continue to be operated by the SIC
- It was felt that things worked fine as they were. The SIC did a fairly good job of operating the Market, and therefore there was not felt to be any need for change
- It was felt it would be difficult to imagine another owner, and that it was unlikely the operation of the Fish Market would produce enough income to generate much interest from the private sector. If another operator did come in however it was felt that the SIC should own the building and lease it to them, and allow them to collect all landing dues.

Initial Option Screening

Following an initial screening of the option identified these options have been scored and ranked as followed:-

Option	Rank	Score
1	4	43
2	1	64
3	2	59
4	3	48

Based on this initial option screening the conclusion of this interim report is that options 2 and 3 should be taken forward for more detailed examination and cost benefit analysis.

Appendix 1

Table 22a: Daily Boxes Landed to All Fish Markets in Shetland

	Jan			Feb			Mar			Apr			May			June			Jul			Aug			Sep			Oct			Nov			Dec			Year		
2003	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+	4			3			2			1			1			1						2			1												15		
Highest	1325			1750			1050			1200			1150			1005			700			1020			1050			900			930			775			1325		
Total	12700			12639			11300			11121			11700			10640			7748			10955			10130			6845			7515			5790			119083		
Average	847			632			565			556			585			532			387			548			507			342			376			579			486		
2004	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+				2			3			1			4									1			3			1			1						16		
Highest	985			1130			1240			1015			1240			986			975			1010			1142			1115			1070			890			1240		
Total	9400			10085			13150			11150			11203			10329			10998			12176			13045			12187			11981			6520			132224		
Average	627			504			658			558			560			516			550			609			652			609			599			652			540		
2005	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+	3			2			6			2						3			4			6			11			3			6			3			49		
Highest	1543			1170			1235			1190			858			1100			1170			1155			1540			1467			1641			1365			1543		
Total	8912			13373			15813			11189			9013			14813			12257			15284			19994			14841			16893			10040			162422		
Average	594			669			791			559			451			741			613			764			1000			742			845			1004			663		
2006	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+	5			5			6			4			11			9			5			7			4			5			3			2			66		
Highest	1487			1815			1435			1700			1600			1400			1312			1725			1952			1422			1200			1239			1952		
Total	13730			16179			17616			15800			21253			18248			12852			20295			16611			16236			16129			8574			193523		
Average	915			809			881			790			1063			912			643			1015			831			812			806			857			790		
2007	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+	8			6			9			8			7			11			6			3			5			10			11			8			92		
Highest	1555			1585			1637			1670			1370			1512			1700			1440			1635			1850			1520			1380			1850		
Total	14258			17559			19227			17071			17845			19125			17017			16990			16744			22196			20323			11478			209833		
Average	951			878			961			854			892			956			851			850			837			1110			1016			1148			856		

1 = 1000 – 1999 boxes; 2 = 2000 – 2999 boxes; 3 = 3000+ boxes

Table 22a: Daily Boxes Landed to All Fish Markets in Shetland

	Jan			Feb			Mar			Apr			May			June			Jul			Aug			Sep			Oct			Nov			Dec			Year		
2008	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+	9	1		13			9	3		10	2		15			11			12	2		5			13	1		12			12	1		5	1		126	11	
Highest	2300			1915			2350			2300			1730			1940			2040			1305			2090			1750			2150			2700			2700		
Total	18663			23485			26752			26315			25275			21676			24973			16984			23050			21385			20867			14304			263729		
Average	1244			1174			1338			1316			1264			1084			1249			849			1153			1069			1043			1430			1076		
2009	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+	7	4		12	3		11	2		8	1		11			12	2		6			7			10			10			10	1		6	1	1	110	14	1
Highest	2720			2370			2255			2058			1895			2130			1550			1540			1900			1750			2150			3000			3000		
Total	24759			26100			24850			20151			21849			26405			18395			18542			23133			19685			21558			16870			262297		
Average	1651			1305			1243			1008			1092			1320			920			927			1157			984			1078			1687			1071		
2010	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+	8	1		10	2		9	5		9			9			7	3		9			8			7			5			13	4		8			102	15	
Highest	2425			2120			2510			1800			1895			2160			1900			1600			1950			1400			2420			1897			2510		
Total	19910			23245			26925			20474			20155			22521			17562			20121			18415			14800			29420			15002			248550		
Average	1327			1162			1346			1024			1008			1126			878			1006			921			740			1471			1500			1014		
2011	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+	14	2		6			12	3		8	1		12			5	4		6			13	1		15			7			14			7	3		119	14	
Highest	2430			1550			2270			2255			1821			2244			1830			2830			1958			1938			1945			2660			2830		
Total	25410			12516			29391			17627			22977			26346			14368			25966			24128			16708			25035			17773			258245		
Average	1694			626			1470			881			1149			1317			718			1298			1206			835			1252			1777			1054		
2012	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+	12	3		7			15	3		12			16	1		7			6			9			11	1		10			11			10			126	8	
Highest	2515			1949			2614			1909			2590			1713			1225			1945			2430			1890			1800			1855			2614		
Total	25371			18646			31079			19958			27029			16572			14690			23582			23486			22228			22828			15288			260757		
Average	1691			932			1554			998			1351			829			735			1179			1174			1111			1141			1529			1064		

1 = 1000 – 1999 boxes; 2 = 2000 – 2999 boxes; 3 = 3000+ boxes

Table 22a: Daily Boxes Landed to All Fish Markets in Shetland

	Jan			Feb			Mar			Apr			May			June			Jul			Aug			Sep			Oct			Nov			Dec			Year		
2013	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+	9	2		11	2		8	4		13	2		8	5		9	2		12	1		13	2		9	2		9	1		12	3		7	3		120	29	
Highest	2342			2545			2540			2270			2624			2385			2480			2830			2464			2245			2740			2576			2830		
Total	21591			25595			26917			25116			29208			24481			24721			31647			23050			22590			29471			18895			303282		
Average	1439			1280			1346			1256			1460			1224			1236			1582			1153			1130			1474			1890			1238		
2014	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+	5		3	14		1	9	5		8			10	2		10	2		10			11	5		9	4	1	9	6		12	3	1	6	3		113	30	6
Highest	4156			3319			2498			1983			2255			2835			1903			2921			3305			2865			3029			2400			4156		
Total	22624			24399			29733			21950			24621			25117			18745			30734			31829			32065			29810			15649			307276		
Average	1508			1220			1487			1098			1231			1256			937			1537			1591			1603			1491			1565			1254		
2015	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+	6	4	1	7	1		11	3		7	4	1	11	4		12			7	2		14	2		11	4		11	2		6	5		4	5	1	107	36	3
Highest	3675			2306			2884			3003			2690			1960			2215			2120			2335			2493			2980			3080			3675		
Total	26622			18025			28827			26779			27854			24490			23578			28026			27279			26228			28438			21694			307840		
Average	1775			901			1441			1339			1393			1225			1179			1401			1364			1311			1422			2169			1256		
2016	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+	7	3	3	9	4	1	6	2		6	5		10	3																								38	17	4
Highest	3618			3015			2150			2452			2385																								3618		
Total	31749			30209			21955			28708			23880																								136501		
Average	2117			1510			1098			1435			1405																								1484		

1 = 1000 – 1999 boxes; 2 = 2000 – 2999 boxes; 3 = 3000+ boxes

Table 23a: Daily Boxes Landed to Scalloway Fish Market

	Jan			Feb			Mar			Apr			May			June			Jul			Aug			Sep			Oct			Nov			Dec			Year		
2003	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+				1																																	1		
Highest	380			1000			250			440			350			535			250			200			440			370			250			375			1000		
Total	1985			5304			1315			2393			1905			3030			1565			476			1020			1115			610			745			21463		
Average	132			265			66			120			95			152			78			24			51			56			31			75			88		
2004	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+																																							
Highest	300			440			340			635			230			315			185			246			224			380			490			10			635		
Total	680			760			1630			2539			1097			687			185			841			504			3106			1580			10			13619		
Average	45			38			82			127			55			34			9			42			25			155			79			1			56		
2005	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+																																							
Highest	802			445			723			325			370			290			392			225			395			470			628			470			802		
Total	1911			1583			3755			1221			1468			1215			964			728			1775			3030			3328			2409			23387		
Average	127			79			188			61			73			61			48			36			89			152			166			241			95		
2006	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+																																							
Highest	455			615			795			245			590			567			323			405			735			975			551			409			975		
Total	1748			4003			4573			468			4252			1478			1224			3119			3986			4576			2837			1571			33835		
Average	117			200			229			23			213			74			61			156			199			229			142			157			138		
2007	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+																									1									1			2		
Highest	600			975			355			475			590			700			500			460			1090			657			850			1030			1090		
Total	3734			5602			1847			1472			2702			4598			3614			2425			6189			6985			6137			5648			50953		
Average	249			280			92			74			135			230			181			121			309			349			307			565			208		

1 = 1000 – 1999 boxes; 2 = 2000 – 2999 boxes; 3 = 3000+ boxes

Table 23a: Daily Boxes Landed to Scalloway Fish Market

	Jan			Feb			Mar			Apr			May			June			Jul			Aug			Sep			Oct			Nov			Dec			Year		
2008	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+							1																					1			2			1			5		
Highest	795			655			1030			995			900			655			800			820			845			1280			1135			1200			1280		
Total	4523			3565			9067			7297			5448			4426			6768			5997			8211			3975			6797			3681			69755		
Average	302			178			453			365			272			221			338			300			411			199			340			368			285		
2009	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+	3						1																					1			3			1			9		
Highest	1045			795			1080			983			965			730			540			557			950			1010			1380			1380			1380		
Total	8529			5017			6240			5081			6714			6765			4350			4757			5806			7070			8232			5510			74071		
Average	569			251			312			254			336			338			218			238			290			354			412			551			302		
2010	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+				1			1																								3						5		
Highest	825			1200			1045			940			810			850			470			540			840			430			1135			987			1135		
Total	5190			9890			8020			4885			3715			4596			2452			4373			5365			3055			9155			3022			63718		
Average	346			495			401			244			186			230			123			219			268			153			458			302			260		
2011	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+	1						1									2						1															5		
Highest	1650			720			1092			645			761			1108			810			1751			830			754			880			783			1751		
Total	5490			2566			7407			2047			3883			6071			5068			9304			5487			3253			6224			4030			60830		
Average	366			128			370			102			194			304			253			465			274			163			311			403			248		
2012	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+													1												1												2		
Highest	991			936			934			999			1208			697			492			964			1005			633			589			988			1208		
Total	5591			3513			7300			6256			7300			4077			2063			6283			3881			4180			5154			4413			60011		
Average	373			176			365			313			365			204			103			314			194			209			258			441			245		

1 = 1000 – 1999 boxes; 2 = 2000 – 2999 boxes; 3 = 3000+ boxes

Table 23a: Daily Boxes Landed to Scalloway Fish Market

	Jan			Feb			Mar			Apr			May			June			Jul			Aug			Sep			Oct			Nov			Dec			Year		
2013	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+				2									1			1						3			1									1			9		
Highest	790			1215			925			820			1168			1010			850			1131			1019			840			835			1133			1215		
Total	4334			7652			9399			4083			7627			6302			6606			11828			7047			8091			5170			4070			82209		
Average	289			383			470			204			381			315			330			591			352			405			259			407			336		
2014	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+	2	1		1			2									1						5			1			2			8			1			23	1	
Highest	2475			1596			1466			980			767			1050			792			1382			1891			1175			1423			1033			2475		
Total	10993			7815			8069			8493			5162			6398			6232			10986			10955			9141			16084			3455			103783		
Average	733			391			403			425			258			320			312			549			548			457			804			346			424		
2015	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+	3						4			2			1			1									4			1			3			2			21		
Highest	1755			906			1549			1135			1310			1100			900			858			1238			1092			1443			1070			1755		
Total	8974			4617			8406			7752			9003			7395			9700			7698			10898			7851			9228			5130			96652		
Average	598			231			420			388			450			370			485			385			545			393			461			513			394		
2016	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
1000+	7			2			2			4			3																								18		
Highest	1733			1017			1415			1448			1246																								1733		
Total	13752			7929			10498			12248			8890																								53317		
Average	917			396			525			612			523																								580		

1 = 1000 – 1999 boxes; 2 = 2000 – 2999 boxes; 3 = 3000+ boxes

Agenda Item

2

Shetland Islands Council

Harbour Board	**15 June 2015**
Policy and Resources Committee	**28 June 2015**
Shetland Islands Council	**29 June 2015**

Review of Strategic Options for the Port of Sullom Voe – Progress and Next Steps	
PH-10-16F	
Director of Infrastructure **Acting Executive Manager- Ports and Harbours**	**Infrastructure Services Department**

1.0 Summary

1.1 This report describes progress on the strategic review options for the future operation of the Port of Sullom Voe and makes proposals regarding further activity.

1.2 The report is a summary of progress to date in evaluating the "Outline Business Case" stage in the "Better Business Cases" method adopted by the Council. It concludes that further information gathering and analysis is required to address market uncertainties before any decision on a "Preferred Option" for future ownership and operation of the Port of Sullom Voe is made by the Council.

2.0 Decisions Required

2.1 That the Harbour Board and Policy and Resources Committees NOTE the information contained in this report, concerning the strategic options for the Port of Sullom Voe, comment on those areas within their remit and inform the Council of their views; and

2.2 RECOMMEND that the Council RESOLVES, having taking account of the views of Committees, to instruct the Director of Infrastructure, or her nominee, to progress the next steps set out in section 5 and report back to Council on their further findings.

3.0 Background

3.1 The Council initiated a review of the strategic options for the future operation of the Port of Sullom Voe in 2015 to best meet medium and long term objectives. Assistance in conducting that review was commissioned from Price Waterhouse Coopers (PwC).

3.2 These objectives were agreed by the Council at the initiation of the review.

Environmental:

- Protection of Shetland marine environment
- Maintaining biodiversity, geo-diversity, and protecting the built environment
- Compliance with health & safety obligations

Economic & Social:

- Maximise existing revenue and identify new sources of revenue from the Port of Sullom Voe and adjoining oil terminal
- Creating employment opportunities and benefitting the local economy
- Supporting social cohesion and maximising community benefits

Financial:

- Reduction in fixed asset base
- Maximise long-term value of asset by maximising oil opportunity and exploring new sectors
- Optimise exposure to financial risk, including:
  - Minimise downside risk of major incidents, decline in oil production and decommissioning costs
  - Retain potential upside from any growth in port operations

3.3 Four main contractual arrangements were identified along with two further sub-options. The options vary in level of control the Council would continue to exert on assets and operations. This activity corresponds to the Strategic Business Case in the Better Business Case methodology.

Port of Sullom Voe – Strategic Options

1) Continued Council ownership and operation (this could be regarded as the "Do Nothing" option) – The operating and governance structure of the port remains largely the same with change occurring through internal efficiency and improvement activity.

2) New operating model under Council ownership – An accountable arm's length public body is created to undertake port operations as a vehicle to promote improvements in investment, commercialisation and efficiency.

3) Outsource operations

3a. Management Contract – A 3 to 70 year contract is awarded to an outsource contractor to run the port on a commercial basis.

3b. Concession – A 20 – 35 year concession is granted to a concessionaire following a procurement process with an anticipated refocus on commercial operations.

4) Asset Sale

4a. Joint Venture – SIC would transfer port into a limited company and sell a share to a JV partner, while retaining an interest. This would also be expected to generate commercial focus through working with a private sector partner.

4b. Freehold sale – SIC sells its entire stake at the Port of Sullom Voe and has no further on-going influence over the port but would obtain a one off income which could be invested in other ways.

3.4 These options were initially assessed against the Council's objectives, as models for future operations. Some potential was identified in each and better understanding was agreed necessary through further analysis and market consultation. This activity falls within the Outline Business Case stage of the Better Business Cases methodology.

3.5 The work was split between further analysis and investigation of options 1 and 2 through internal Council activity and a market engagement exercise around options 3 and 4 led by PwC. Findings of those investigations are brought together in this report.

3.6 PwC approached twenty six parties which were selected based on their market knowledge and participants who had approached the Council directly. These parties were a range of ports, oil & gas marine services, and infrastructure investors and also included participants who approached SIC directly and representatives of the Sullom Voe Terminal consortium.

3.7 Ten interested parties signed non-disclosure agreements and took part in an interview process based on a Background Information Document (BID), summarising the opportunity. Six parties said they were not interested due to:

- Not able to identify an opportunity to add value
- Did not wish to increase exposure to North Sea oil activity
- Lack of fit with their strategic direction

3.8 Conference calls were held by PwC with the ten participants in March and April 2016 and finding were shared with Council staff and presented to an all members seminar on the 11th May 2016.

4.0 Findings

4.1 Market engagements confirmed that potential investors and partners see the existing tanker export business as the key driver of value for the Port of Sullom Voe but also regard the risk of declining volumes and current uncertainty in the oil and gas sector as high. At this time the identification of additional commercial activities is also viewed as highly uncertain and will not greatly enhance pricing offers.

4.2 Core business

- The Port of Sullom Voe's primary activity is recognised by potential

investors and partners as the tanker export business of oil piped into Sullom Voe terminal. The main driver of business for any private sector offers for the Port of Sullom Voe under the options described in section 3 will be based on the bidder's view of this primary activity.

- Sullom Voe Terminal throughput is regarded as being in long-term decline and thought to be subject to significant volume risk particularly at this very challenging and uncertain time for oil and gas production.

- These factors will be priced into any private sector offers for purchase or long term contracting.

4.3 Future opportunities

- Market perception is that the isolated location and extensive competition limit the scope for additional commercial activities. Scope for new commercial activities at the Port of Sullom Voe was regarded as limited due to:

  - Location of asset – Remote location with limited local population/ industry/ supply chain capacity to service developments.
  - Local competition – Potentially from Lerwick Port and Scalloway Harbour
  - Wider competition – North Sea ports in relation to North Sea decommissioning and offshore servicing

- Participants not familiar with Shetland acknowledged they may not be in a fully informed position to put forward concrete ideas about additional commercial activities and that local insight may speed up identification and development of potential opportunities.

- It was clear however in value terms that uncertainty over realising future commercial opportunities will be reflected in pricing for participation in long term options.

4.4 Value enhancement

- It was thought that value from the Port of Sullom Voe could be enhanced through efficiency measures including: decommissioning of surplus capacity and rationalisation of operating hours.

- Any qualification of commercial prospects for future activity could help reduce uncertainty and stimulate investment.

- Greater clarity regarding future Sullom Voe Terminal throughput could reduce perceptions of volume risk.

4.5 Risk sharing

- Volume risk would have to be shared with any private sector partner to optimise value.

- Fully transferring this risk will attract significant risk pricing.

- Investors may be open to pursuing more speculative opportunities around new business on a joint-investment / joint risk-sharing basis with the Council. This would especially be the case where it is demonstrable that investment will lead to new contractualised revenue streams.

4.6 Option appraisal update: (summary in table form attached as Appendix 1).

- A freehold sale is not well aligned with the Council's objectives at this stage. Due to the current low point in the oil price cycle, the value of any consideration the Council would receive for the port would be greatly eroded. Moreover, it is unlikely the consideration would reflect any significant premium for potential additional activities due to the uncertainty around successfully implementing those activities.

- A long-term concession / joint-venture to realise upfront value while retaining some in longer-term upside opportunities could be explored further. However value from that sort of arrangement would also be compromised at this time by perception of volume risk and uncertainty regarding the ultimate commercial potential for additional activities.

- A shorter-term management contract with an option to extend or transition into a concession / joint venture could align better with the Council's objectives. This would allow a private sector contractor to put in place a more efficient operation in the short / medium term and also explore the possibility of widening the range of commercial activities.

- Internal activity to optimize efficiency, improve the reliability of forecasts of Sullom Voe terminal throughput volumes and better qualify other commercial opportunities will enhance value for all options.

5.0 Next Steps

5.1 While there is clearly a range of market interest in opportunities to participate in the operation of the Port of Sullom Voe it is equally clear that there are significant obstacles to achieving maximum value for any long term arrangement.

5.2 The main issues are around volume risk and uncertainty regarding Sullom Voe terminal throughput and uncertainty about the commercial viability of any other diversified activity.

5.3 During the review the Council has sought to better understand these areas of uncertainty through a continuing dialogue with Sullom Voe Terminal Operators, a developing relationship with the UK Oil and Gas Authority (OGA) and the commissioning of specialised research from Oil and Gas industry analysts.

5.4 That activity should be continued and our general intelligence around the likely future development of the North Sea and West of Shetland production area built further through ongoing dialogue, engagement and relationship building with key Oil and Gas companies and the

OGA. In addition further research on potential additional activity such as the economics of shuttle tanker operation and options for participation in future decommission activity should be considered.

5.5 Uncertainty can never be eliminated, however there is the potential for significant value to be protected or enhanced through improved understanding and that a more complete consideration of the issues raised in this report will enable a fully informed “Outline Business Case” to be presented to Members early in 2017.

Actions to achieve that should include;

- Continued dialogue with BP operational management at Sullom Voe Terminal regarding plans for any changes in terminal operations.

- Further development of relationships with the OGA including the participation of the OGA in the Sullom Voe Association.

- Seek involvement in any key government / industry groups considering plans for life extension and decommissioning of the Brent and Ninian pipeline systems and implications for East of Shetland oil throughput at Sullom Voe Terminal.

- Similar involvement in key groups regarding West of Shetland production planning and evacuation strategies.

- Develop better involvement in the strategic planning for the future draw down of East of Shetland based processing facilities at the Sullom Voe Terminal. This would include plans for the decommissioning of significant elements of the current terminal infrastructure and potential future uses of any part of the terminal site which might become available, such as participation in subsequent offshore decommissioning.

- Develop greater involvement in the strategic planning for the onshore support facilities and services required for ongoing West of Shetland production.

- Commission research on other specialist areas such as the economics of shuttle tanker operations in the Shetland productions areas, including current or future opportunities for participation by the Port of Sullom Voe.

- Maintain and improve production forecasts for oil production volumes in the catchment area, particularly those likely to utilise the Sullom Voe Terminal and / or Port of Sullom Voe in partnership with the OGA and Oil industry.

- Undertake cross Council activity to develop a “Development Ambition” / “Masterplan” / “Planning Brief” for the area surrounding Sullom Voe to inform future development opportunities with input from other relevant stakeholders.

5.6 In parallel with that research and investigation, improvements to operational arrangements should be progressed to optimise the efficient running of the Port in the short term and prepare for a potential market testing exercise regarding a future management contract. An efficient internal operation will create an objective benchmark for any such arrangement and help clarify the need or potential for further gains in particular areas.

Actions to achieve that should include;

- Consideration and response to any operational changes implemented by Sullom Voe Terminal across all main port services, Pilotage, Towage, Pilot Launch and Mooring Services, Port Engineering and Pollution Response.

- Stabilise the short term towage fleet including arrangements for continuing the services provided by the two vessels which are now very close to their end of life including their disposal and replacement. This should be based around a procurement exercise for bare boat charter to ensure medium term flexibility and should also allow for future purchase options to be included in the longer term should that become desirable.

5.7 These actions will be carried out over the coming months and once they have progressed sufficiently, i.e. we have reduced uncertainty significantly and a robust operational cost benchmark is in place, then a re-evaluation of the "Strategic Outline Case" for the Port of Sullom Voe should be brought back to Council to examine whether a decision of a "Preferred Option" for ownership and operation can then be made. The target for that review to conducted and further reporting to Council is early in 2017.

6.0 Implications

Strategic

6.1 Delivery On Corporate Priorities –

Shetland is a group of islands and "Our Plan" identifies transport links to and from, and within, the islands as our life blood. Shetland's Ports and Harbours are the conduit for much of that activity. People, products, goods and supplies go in and out of Shetland and move around the islands by sea. If we do not have the right Ports & Harbours infrastructure and services in place that cannot happen and new business opportunities and wealth creation cannot take place.

If we are to enjoy a strong economy with well-paid jobs we have to make sure that we have the Port infrastructure and services required to support key business sectors, especially those depending on the utilisation of local resources, meet individual and business needs and deliver economic growth.

6.2 Community /Stakeholder Issues – Consultation with customers and other stakeholders is on-going as an integral part of each aspect of service delivery.

6.3 Policy And/Or Delegated Authority –

Harbour Board

Strategic oversight and direction in all aspects of the operation of the Council's harbour undertaking in accordance with overall Council policy and the requirements of the Port Marine Safety Code.

Act as Duty Holder required by the Port Marine Safety Code and ensure that the necessary management and operational mechanisms are in place to fulfil that function.

Consider all development proposals and changes of service level within the harbour undertaking; including dues and charges, and make appropriate recommendations to the Council

Policy and Resources Committee

Advise the Council in the development of its strategic objectives, policies and priorities, and to be responsible for the development of cross departmental change including for example customer management, workforce deployment and asset management and health and safety matters.

Shetland Islands Council

Determining the overall Goals, Values and Strategy Framework Documents, or matters of new policy/strategy or variation of existing policy/strategy.

6.4 Risk Management – This strategic review includes considerations of how to balance the management of safe and secure operations of a major oil terminal and all the attendant environmental and health and safety considerations with financial risks around optimising profitability and community benefit over time against the long terms risks of responsibility for reinstatement of the harbour operation should it cease.

6.5 Equalities, Health And Human Rights – The port of Sullom Voe is a major industrial operation which must manage potential health and safety risks to staff working there and the public. All options within this review acknowledge that responsibility and all appraisals include maintain safe operations at the highest level as critical objectives.

6.6 Environmental – The port of Sullom Voe is a major industrial operation which must manage environmental risks to the local area, Shetland as a whole and the wider North Sea / North Atlantic. All options within this review acknowledge that responsibility and all appraisals include maintaining safe operations at the highest level as critical objectives.

Resources

6.7.1 Financial - Surpluses generated by the Port of Sullom Voe have been very important in establishing the Councils Reserve Fund and have paid for much of the infrastructure and service development by the Council over the past 30 years. It is critical that the future financial contribution from the Port of Sullom Voe is optimised and that any financial risks are properly managed, these are key objectives of this review.

6.7.2 The review has been supported to date by external advisors (Price waterhouse Coopers LLP) at a cost of £90k. Proposals for next steps largely consist of in-house activity. However, the commissioning of specific items of research or analysis such as the economics of shuttle tanker operation, are likely to cost £10 - £20k.

6.7.3 The disposal of the Tirrick and Shalder Tugs and the procurement of charter tugs as their replacement will require expenditure on specialist advisors, estimated to cost £10k.

6.7.4 All costs will be met from within existing budgets.

6.8 Legal – Specialist legal advice may be required for some options being investigated in this review, particularly relating to the legal position of the Council in relation to variation of port ownership or operations. That advice will be obtained through existing Infrastructure budgets.

6.9 Human Resources - Some of the options within the scope of this review have staffing implications. Care will be taken to ensure that staff are involved and informed about plans that might affect them and that relevant Unions are part of any consultation processes. HR advice will be sought and closely involved throughout any matters that affect the Councils workforce and that relevant Council HR policies are followed.

6.10 Assets And Property – There are a number of actions and projects that have significant asset implications, particularly in relation to the ownership of boats, piers and other harbour infrastructure. Close attention is being paid to making sure relevant policy requirements are being met and that Capital Programme is involved early in the discussion of all proposals.

7.0 Conclusion

7.1 The Council has a duty to demonstrate that it is achieving Best Value in all its activities. Part of meeting that duty is the thorough review of all substantial activities from time to time and the rigorous evaluation and comparison of alternative ways of achieving outcomes and meeting objectives.

7.2 The evidence gathered by this review to date indicates that there is much uncertainty in the Oil and Gas sector at present and accompanying uncertainty about other commercial possibilities for the Port of Sullom Voe. It is therefore prudent to do some more work to try

to moderate that uncertainty and in the same time frame stabilise and optimise current operational arrangements.

7.3 Once sufficient progress has been made in those areas then the Council would be much better placed to complete the full evaluation of "Outline Business Case" options and decide on a "Preferred Option" for the future ownership and operation of the Port of Sullom Voe.

For further information please contact:
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28 September 2015

Appendices

None

Background Documents

Strategic Review of Port of Sullom Voe + Minute – Harbour Board – October 2015

Scalloway and Sullom Voe Masterplans + Covering Report and Minute – Harbour Board, 8 October 2014
http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=16728

	Internal Improvement Activity (Do Nothing)	**New operating Model under Council Ownership**	**Outsource via 3 – 7 yr Management Contract**	**Outsource via 20 – 35 year Concession**	**Joint Venture**	**Freehold Sale**
Strategic Case	An efficient internal operation will create an objective benchmark for any other arrangement and help clarify the need or potential for further gains in particular areas. Short term responses are required to respond to any operational changes implemented by Sullom Voe Terminal across all port services and to stabilise the towage fleet .	No real clarity has emerged during the review period on how such an arrangement would be structure and how this would promote the Councils overall objectives. The "uncertainty" risks observed in market testing would also affect this option.	A management contract would continue to have the potential to meet the Councils objectives but significant uncertainty around the core and any additional business to be contracted remains.	A long-term concession to realise upfront value while retaining some in longer-term upside opportunities could be explored further. However value from that sort of arrangement would also be compromised at this time by perception of volume risk and uncertainty regarding the ultimate commercial potential for additional activities.	A joint venture could meet the Councils objectives but would require the Council to retain much of the risk associated with the uncertainties around business before partners would be likely to find it attractive.	A freehold sale is not well aligned with the Council's objectives at this stage. Due to the current low point in the oil price cycle, the value of any consideration the Council would receive for the port would be greatly eroded. Moreover, it is unlikely the consideration would reflect any significant premium for potential additional activities due to the uncertainty around successfully implementing those activities.

	Internal Improvement Activity (Do Nothing)	**New operating Model under Council Ownership**	**Outsource via 3 – 7 yr Management Contract**	**Outsource via 20 – 35 year Concession**	**Joint Venture**	**Freehold Sale**
Economic Case	Improvements to operational arrangements should be progressed to optimise the efficient running of the Port in the short term and prepare for a potential market testing exercise regarding a future management contract.	No real clarity has emerged during the review period on how such an arrangement would be structure and how this would release any further efficiency.	No detailed estimates of costs and benefits for a management contract type arrangement have been established this far. There are perceptions that greater private sector involvement should reduce costs however it is also clear that there is very limited understanding of the actual business priorities	A long-term concession to realise upfront value while retaining some in longer-term upside opportunities could be explored further. However value from that sort of arrangement would also be compromised at this time by perception of volume risk and uncertainty regarding the ultimate commercial potential for additional activities.	A joint venture could meet the Councils objectives but would require the Council to retain much of the risk associated with the uncertainties around business before partners would be likely to find it attractive.	Due to the current low point in the oil price cycle, the value of any consideration the Council would receive for the port would be greatly eroded. Moreover, it is unlikely the consideration would reflect any significant premium for potential additional activities due to the uncertainty around successfully implementing those activities.

	Internal Improvement Activity (Do Nothing)	**New operating Model under Council Ownership**	**Outsource via 3 – 7 yr Management Contract**	**Outsource via 20 – 35 year Concession**	**Joint Venture**	**Freehold Sale**
Comme-rcial case	While individual opportunities can be taken to optimise areas in partnership with suppliers no overarching new commercial arrangements need to be implemented.	This option does not require the involvement of a external partner so should not need any overall new commercial arrangement. All existing arrangements, licenses and contracts would have to be novated or otherwise transferred.	There would appear to be some market interest in a management contract type of arrangement from a number of potential partners although detailed work has not been undertaken.	There appears to be less appetite for this longer term engagement unless risk was substantially retained by the Council.	There appears to be less appetite for this longer term engagement unless risk was substantially retained by the Council.	Limited interest due to current conditions in the sector and perception of uncertainty.
Financial case	Internal improvements would be expected to be delivered broadly within existing budgets / realise savings.	From recent experience with other initiatives to transfer staff outside the Council pension obligations may prove to be the most significant matter.	Fairly neutral in financial terms as staff and assets would be expected to transfer on a relatively cost balanced basis. Main uncertainty might again be about pension implications.	The value of any upfront payments associated with a long term concession would be discounted at this time due to perceptions around uncertainty and risk. Risk retention/ transfer will also be a key factor in determining financial consideration.	The attraction of a partner willing to invest in a joint venture might be difficult at this time due to perceptions around uncertainty and risk. Risk retention/ transfer will also be a key factor in determining financial consideration.	A freehold sale is not well aligned with the Council's objectives at this stage. Due to the current low point in the oil price cycle, the value of any consideration the Council would receive for the port would be greatly eroded.

	Internal Improvement Activity (Do Nothing)	**New operating Model under Council Ownership**	**Outsource via 3 – 7 yr Management Contract**	**Outsource via 20 – 35 year Concession**	**Joint Venture**	**Freehold Sale**
Manage-ment Case	Improvement activity is an ongoing objective and the clarity and stabilisation it should provide would generally enhance management arrangements. An active pursuit of this objective would also avoid the risk of inertia while some future decision is being awaited.	Setting up and transferring staff into a new organisation would be a substantial management challenge. Significant internal and external support would be required.	Procuring and transferring staff, contracts and operational arrangements under a management contract would clearly be a substantial management challenge. Significant internal and external support would be required although risk and cost sharing for that could be split with the partner.	Procuring and transferring staff, contracts and operational arrangements under a concession would clearly be a substantial management challenge. Significant internal and external support would be required although risk and cost sharing for that could be split with the partner.	In addition to the management contract / concession management requirements there is limited experience of establishing joint venture vehicles recently. It is likely that this option would also include the complications of a new internal operating model.	Freehold sale would be a simpler management challenge in some respects as the succeeding form of operation would be beyond the responsibility of the Council. It would be a more significant challenge in other respects as the legal, contractual and other consequences of the ZCC Act and Sullom Voe agreement would have to be managed.